

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE  
NETWORK FACULTY GROUP PRACTICE, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH  
CENTER HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.  
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JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Audit Committee of,  
The Florida International University Academic Health Center  
Health Care Network Faculty Group Practice, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN), a component unit of Florida International University, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the FIU HCN's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The FIU HCN's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the FIU HCN as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

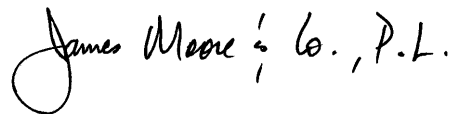
## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 – 10 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of the FIU HCN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the FIU HCN's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida  
October 24, 2019

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER  
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN or HCN) for the fiscal year ended June 30, 2019 and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements and notes thereto, are the responsibility of management.

**BACKGROUND**

In FY 2015-2016 the FIU HCN transitioned from a full risk clinical model to a Management Services Organization model (MSO) serving different stakeholders across FIU. As a result, the patient revenues and respective AR for clinical services provided since July 2015 are no longer recorded under the books of HCN. Starting in July 2015, the patient revenues and respective AR provided at the Herbert Wertheim College of Medicine (HWCOC) clinics are recorded under the books of the HWCOC. In the MSO model, the revenues are based on management fees which derive from managing the HWCOC clinics, the HWCOC Office of International Affairs (HWCOC OIA), the FIU Student Health Clinics and Pharmacy, Embrace, CCF credentialing and the leases of the Ambulatory Care Center (ACC) to Miami Children’s Hospital and Gastro Health.

The revenues and expenses reported include the revenues and expenses of two HCN MSO stakeholders combined with the revenues and expenses of the HCN MSO business. The HCN MSO stakeholders include the HWCOC OIA program and the HWCOC clinics. The revenues and expenses of these stakeholders are passed through the books of HCN as part of the management service.

The payment from HWCOC for the expenses of the clinics is reported as “other revenue”. The net patient revenue generated by the clinics is not reported under the FIU HCN entity. The expenses of the clinics do not include the cost of the salary and benefits related to the clinical effort for the physician faculty time; this effort is recorded directly under the books of the HWCOC.

The change in net position of the HWCOC OIA program is transferred out to HWCOC. As a result, the reported change net position of the FIU HCN entity represents exclusively the change in net position of the HCN MSO line of business.

The management fees received from the HWCOC to manage the clinics are reported as part of the Management Fee revenue under the HCN MSO business.

**FINANCIAL HIGHLIGHTS – CURRENT YEAR**

The FIU HCN assets totaled approximately \$8.7 million at June 30, 2019. This balance reflects an approximate increase of \$1.8 million from June 30, 2018, resulting primarily from the increase in cash deriving from management fees under the MSO line of business and the educational program revenue related to the HWCOC OIA line of business. Approximately \$2.6 million under total assets in fiscal year 2019 belong to the operations of the HWCOC OIA program.

The liabilities represent the accounts payable due to vendors and the Florida International University, accruals for the operating expenses, the unearned revenue related to the pre-paid rotations under the HWCOC OIA program and the debt due to the Florida International University (FIU or FIU proper). Liabilities totaled approximately \$10.0 million at June 30, 2019, a decrease of approximately \$544 thousand over prior fiscal year resulting from payment towards the debt due to FIU and the reclassification of the common area maintenance (CAM) paid by Miami Children’s Hospital as part of their lease. Previously, the CAM had been recorded as liability for future CAM expenses and any CAM expenses were booked against this liability. The CAM balance related to prior fiscal years is accounted as a prior period adjustment to net position amounting to \$512 thousand. Please refer to note 8 in the notes to financial statements. Effective June 30, 2019, the current CAM activity has been reclassified to align to revenues and expenses. Liabilities related to the HWCOC OIA program amounted to approximately \$2.0 million.

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MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2019  
(Continued)**

The FIU HCN’s operating revenues totaled approximately \$10 million for the 2019 fiscal year, an approximate increase of \$1.6 million over prior fiscal year. The increase derives mainly from the rate increase in the new agreement with the American University of Antigua effective October 1, 2018 and the increase in enrollment in the HWCOM OIA program. Included in the \$10 million are: (a) Management fee service revenue of the MSO totaling approximately \$2.9 million. (2) The HWCOM OIA educational program and other HWCOM OIA revenues deriving from registration, change and cancellation fees amounting to approximately \$5.0 million. (3) Revenues related to the HWCOM clinics (the payments from HWCOM to cover the cost of operating the HWCOM clinical sites) totaling approximately \$1.4 million reported under “other revenues”. (4) The rental revenue, CAM revenue and other revenues amounting to approximately \$0.65 million. Fiscal year 2019 reflects CAM revenues received along with rental revenue from the Miami Children’s Hospital as part of the lease. The rental revenue from the lease is set aside to pay the principal and interest on the loan due to FIU.

Operating expenses totaled approximately \$5.8 million for the 2019 fiscal year; an increase of approximately \$0.3 million over the 2018 fiscal year. This results from the increase in salary and benefits deriving from two positions previously in medical leave during the prior fiscal year, vacant positions filled in the fiscal year 2019, the across the board FIU merit increases and the increase in contracted services deriving from the increase in the HWCOM OIA preceptor rotations. Non-operating expenses include the interest expense on the debt payments to FIU proper totaling approximately \$154 thousand and the transfers to HWCOM related to the net profits of the HWCOM OIA program for the fiscal year totaling approximately \$2.3 million.

**FINANCIAL HIGHLIGHTS – PRIOR YEAR**

Fiscal Year 2018 is presented as originally reported with a restated ending net position as explained under the Condensed Statements Net Position (1). The restated net position derives from a prior period adjustment resulting from the reclassification of the CAM balance originally reported under current liabilities. Please refer to note 8 in the notes to financial statements.

The FIU HCN assets totaled approximately \$6.9 million at June 30, 2018 resulting primarily from cash and receivables deriving from management fees, the HWCOM OIA education program receivables and the pass-through of the sales tax receivable from Miami Children’s Hospital as part of their rent. Approximately \$2.1 million under total assets in fiscal year 2018 were reserved for the operations of the HWCOM OIA program.

The liabilities represent the debt due to the Florida International University (FIU or FIU proper), accounts payable, accruals for the operating expenses and the unearned revenue related to the pre-paid rotations under the HWCOM OIA program. Liabilities totaled approximately \$10.5 million at June 30, 2018. As originally reported for the 2018 fiscal year, the liabilities reflect the pass-through of the sales tax liability and common area maintenance (CAM) paid by Miami Children’s Hospital as part of their rent. Approximately \$1.6 million of total liabilities in fiscal year 2018 relate to the HWCOM OIA program operations.

The FIU HCN’s operating revenues totaled approximately \$8.4 million for the 2018 fiscal year. This amount was comprised of management fee revenue (approximately \$2.5 million), HWCOM OIA revenues (approximately \$4.1 million), Clinics expense pass-through reimbursement (approximately 1.3 million) as well as rental income and other revenue (approximately \$0.49 million). In fiscal year 2018 the cost for operating the clinical sites is reimbursed by HWCOM and recorded as Other Revenue under the Clinics line of business as a pass through on the books of HCN.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019  
(Continued)**

Operating expenses totaled approximately \$5.4 million for the 2018 fiscal year comprised mainly of personnel salary and benefits and the contracted professional services related to the HWCOT OIA preceptors.

Non-operating expenses for the 2018 fiscal year include the interest expense on the debt payments to FIU proper totaling approximately \$161 thousand and the transfers to HWCOT related to the net profits of the HWCOT OIA program for the fiscal year 2018 totaling approximately \$1.4 million.

**OVERVIEW OF FINANCIAL STATEMENTS**

The FIU HCN's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

*Statement of Net Position*

The statement of net position reflects the assets and liabilities of the FIU HCN, using the accrual basis of accounting, and presents the financial position of the FIU HCN at a specified time. The difference between total assets and total liabilities, net position, is one indicator of the FIU HCN's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the FIU HCN's financial condition.

The following summarizes the FIU HCN's assets, liabilities, and net position at June 30:

**Condensed Statements of Net Position at June 30 (In Thousands)**

	2019 (2)	2018 (1)
<b>Assets</b>		
Current assets	\$ 8,511	\$ 6,662
Noncurrent assets	151	214
<b>Total Assets</b>	\$ 8,662	\$ 6,876
<b>Liabilities</b>		
Current liabilities (1)	\$ 2,916	\$ 3,121
Noncurrent liabilities	7,048	7,388
<b>Total Liabilities</b>	\$ 9,964	\$ 10,509
<b>Net Position</b>		
Investment in capital assets	\$ 151	\$ 214
Unrestricted	(1,453)	(3,847)
<b>Total Net Position (2)</b>	\$ (1,302)	\$ (3,633)
Prior period - adjt to net position (1)		\$ 512
<b>Net Position – prior period restated</b>		\$ (3,121)

(1) Fiscal Year 2018 is presented as originally reported with a restated Net Position. This is due to a prior period adjustment related to the reclassification of the net CAM liability balance which resulted in a reduction to current liabilities and increase in net position by approximately \$512 thousand for prior fiscal years.

(2) As of June 30, 2019 approximately \$522 thousand in net position is reserved for the operations of the Office of International Affairs program and \$634 thousand is reserved for future common area maintenance (CAM) expenses.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)**

The Condensed Statements of Net Position reflect the FIU HCN's realignment of operations and change in financial model which began in FY 2015-2016 when the HCN revenue source changed from a full risk clinical revenue model to a management fee service revenue model. In this model the assets and liabilities of the HCN also include the assets and liabilities of the HWCOC OIA line of business. Current assets mainly depict cash and receivables of the MSO and the HWCOC OIA line of business.

The 2019 fiscal year is presented with a restated beginning net position resulting from a prior period adjustment related to the reclassification of the CAM balance.

In fiscal year 2019, total assets increased by approximately \$1.8 million. This includes non-current capital assets net of depreciation which decreased in fiscal year 2019 by approximately \$63 thousand due to depreciation expense. Total liabilities decreased by approximately \$544 thousand driven by a prior fiscal year adjustment in Current Liabilities resulting from the reclassification of the CAM and the decrease in long term liabilities resulting from payments towards the debt due to FIU.

The FIU HCN's total net position went from (\$3.1) million re-stated beginning net position to (\$1.3) million at June 30, 2019 showing an improvement of approximately \$1.8 million deriving mainly from the management fee revenues under the MSO line of business. Approximately \$522 thousand of the Total Net Position in the fiscal year 2019 is reserved for the operations of the HWCOC OIA program and \$634 thousand is reserved for future CAM expenses.

The 2018 fiscal year is presented as originally reported with a restated ending net position. In summary of the 2018 fiscal year, assets reported totaled approximately \$6.9 million. This includes non-current capital assets net of depreciation. Liabilities as originally reported totaled \$10.5 million. Taking into account the adjusting entry deriving from the CAM reclassification amounting to an increase of \$512 thousand, the restated net position for the 2018 fiscal year totaled (\$3.1) million.

***Statement of Revenues, Expenses and Changes in Net Position***

The statement of revenues, expenses, and changes in net position presents the FIU HCN's revenue and expense activity, categorized as operating and non-operating. Operating revenues are comprised principally of management fee service revenues, HWCOC OIA educational program revenue and rental income. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019  
(Continued)**

The following summarizes the FIU HCN's activity for the fiscal years ended June 30:

**Condensed Statements of Revenues, Expenses, and Changes in Net Position  
(In Thousands)**

	<u>2019 (2)</u>	<u>2018 (1)</u>
Operating revenues	\$ 9,977	\$ 8,372
Operating expenses	<u>5,750</u>	<u>5,431</u>
<b>Operating Gain</b>	4,227	2,941
Non-operating expenses	(154)	(161)
Transfers to the University	<u>(2,254)</u>	<u>(1,447)</u>
<b>Change in Net Position</b>	1,819	1,333
<b>Net Position</b> , beginning of year - restated (2)	<u>(3,121)</u>	<u>(4,966)</u>
<b>Net Position</b> , end of year	<u>\$ (1,302)</u>	<u>\$ (3,633)</u>
Prior period - adjustment to net position		<u>\$ 512</u>
<b>Net Position</b> , end of year – restated (1)		<u>\$ (3,121)</u>

- (1) Fiscal Year 2018 is presented as originally reported with a restated ending net position. This results from the adjustment deriving from the CAM reclassification.
- (2) Fiscal year 2019 beginning net position is presented as restated. The reclassification of the CAM resulted in an adjustment of the beginning net position.

**Operating Revenues**

The FIU HCN categorizes revenues as either operating or non-operating. Operating revenues are derived from management fees, educational programs, and rental income.

The following summarizes the operating revenues by source that were used to fund operating activities during the fiscal years ended June 30. The 2018 fiscal year is presented as originally reported.

**Operating Revenues (In Thousands)**

	<u>2019</u>	<u>2018</u>
Management fees	\$ 2,892	\$ 2,519
Educational program	4,617	3,713
Rental revenue	496	486
Rental revenue – common area maintenance	163	-
Other revenues	<u>1,809</u>	<u>1,654</u>
<b>Total Operating Revenues</b>	<u>\$ 9,977</u>	<u>\$ 8,372</u>

The management fees derive from the management of the HWCOM clinics where the faculty physicians of HWCOM provide services to patients of the local community, the HWCOM OIA educational program where FIU HCN provides management services to the American University of Antigua (AUA) by administering its Certificate Program for the Clerkship Rotation to 3rd year medical students and its other programs, the other international programs with global affiliates, the Student Health Clinics and pharmacy and Embrace.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER  
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)**

The clinical services provided by the faculty physicians consist of Family Medicine, Internal Medicine, Gynecology, Dermatology, clinical Oncology, Psychiatry and Behavioral Health. These providers operate in various clinical sites: Modesto A. Maidique Campus, Broward and in the three mobile health clinics. Patient revenues are not reported above since they are recorded directly on the books of HWCOC along with respective patient accounts receivable. The revenue related to the clinics reported above under "other revenue" represents the pass through of the clinics' operating expenses paid by HWCOC to the FIU HCN.

The educational program revenue under HWCOC OIA is derived from the fifth semester rotations (FM1/IM1), the graduate certificate program (core program) and the fourth year electives program from the AUA and from fees from clinical electives in the International Visiting Medical Student (IVMS) program administered to international students through collaboration with various institutions around the world. The HWCOC OIA program also generates revenues from other fees related to registration, change and cancellation fees. These are included under Other Revenues.

All other revenues consist primarily of rental revenue from Gastro Health and the CAM and rental revenue from the lease of the Ambulatory Care Center (ACC) to the Miami Children's Hospital on the second floor of the Ambulatory Care Center building (ACC) which opened in April of 2015. In fiscal year 2019, the CAM received with the rent payment from the Miami Children's Hospital gets recognized as revenue where as in prior periods it was recorded as a liability for future CAM expenses. Please refer to note 8 in the notes to financial statements.

***Operating Expenses***

The FIU HCN categorizes expenses as operating or non-operating. The Governmental Accounting Standards Board (GASB) gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The FIU HCN has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position.

The following summarizes the operating expenses by natural classifications for the fiscal years ended June 30. The 2018 fiscal year is presented as originally reported.

**Operating Expenses (In Thousands)**

	<u>2019</u>	<u>2018</u>
Contractual personnel services	\$ 2,337	\$ 2,207
Contracted professional and consulting services	2,496	2,390
Rentals and leases	119	102
Common area maintenance expenses	42	-
Other operating	420	431
Depreciation	63	69
Supplies - medical	119	103
Utilities	42	39
Repairs and maintenance	9	6
Advertising and promotion	41	32
Insurance	23	23
Supplies - other	39	29
<b>Total Operating Expenses</b>	<u>\$ 5,750</u>	<u>\$ 5,431</u>

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER  
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
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(Continued)**

Operating expenses for the fiscal year 2019 totaled approximately \$5.8 million. This represents an increase of approximately \$319 thousand from the previous fiscal year 2018 mainly due to: (a) The increase in salary and benefits resulting from two positions previously in medical leave during the prior fiscal year, vacant positions filled in the fiscal year 2019 and the across the board FIU merit increases. (b) The increase in the HWCOM OIA contracted services for preceptor rotations brought by the increase in the volume of rotations under the HWCOM OIA line of business. (c) The reclassification of the CAM related to CAM repairs and maintenance expense. Please refer to note 8 in the notes to financial statements.

Operating expenses for the fiscal year 2018 are presented as originally reported and they totaled approximately \$5.4 million primarily deriving from personnel salary and benefits and the HWCOM OIA contracted services for preceptor rotations brought by the volume of rotations under the HWCOM OIA line of business.

***Non-Operating Expenses***

Non-operating expenses include interest expense on the loans owed to the University for previous years of operations as a full risk faculty group practice.

The following summarizes the FIU HCN’s non-operating expenses for the fiscal years ended June 30:

**Non-Operating Revenues (Expenses) (In Thousands)**

	<b>2019</b>	<b>2018</b>
Interest Expense	\$ (154)	\$ (161)
<b>Non-Operating Expenses</b>	<b>\$ (154)</b>	<b>\$ (161)</b>

There was no non-operating income for 2019 or 2018.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

FIU HCN will continue to operate as a management services organization for FIU. As we enter the FY 2019-2020, FIU HCN revenues will continue to derive from management fees related to HWCOM clinics, the AUA graduate certificate program, the AUA FM1/IM1 program, the AUA Electives program, the International Visiting Medical Student (IVMS) program, the Student Health clinics and pharmacy, Embrace, and the leases from Miami Children’s Hospital and Gastro Health.

In fiscal year 2020 the management service revenue from HWCOM to manage the clinics will continue to be a flat MSO fee reported as management revenue under the MSO line of business. The cost reimbursement from HWCOM for the clinic’s operating expenses will continue to be reported as Other Revenue in order to offset the expenses under the Clinics line of business thus bringing it to a change in net position of zero to represent the pass-through on the books of the FIU HCN. The operating expenses of the HWCOM clinics will continue to include the cost of the clinical support staff and associated benefits and all operating cost to operate the clinical sites. All cash collections related to patient services provided since July 1, 2015 will continue to be the revenue and receivables of the HWCOM and it will continue to be reported under the books of the HWCOM; outside of the HCN entity books.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)**

In the new fiscal year 2020 the HCN MSO continues as a self-sustained financial model absorbing the expenses aligned to the MSO operations. The ten-year expanded agreement negotiated with the University of Antigua, continued growth and expansion from both the AUA and International Visiting Medical Student (IVMS) programs will benefit the FIU HCN entity with an increase in management fee revenue.

There are other potential stakeholders that can use FIU HCN for their management services. The goal for FIU HCN FY 2019-2020 is continued increase of HWCOM OIA programmatic growth by increasing global partners, expanding clinical sites and expansion of FIU college partners participating in international programmatic enhancement. We will focus on enhanced services at all clinical sites inclusive of developing a comprehensive telehealth program at Student Health clinics to expand access, and focus on operation process improvement. In addition, we are positioned to implement billing services at the Student Health clinics and decrease dependency on the health fee subsidy of the Student Health pharmacy. We will continue to focus to increase clinical revenue for HWCOM by aligning physician productivity, increase patient service offerings, and focus on operational efficiencies. Finally, as an MSO, FIU HCN is committed to increase management fee revenues by offering services to other potential partners.

We are projecting revenues from international programs to continue to be strong. In addition to existing programs, there continues to be great interest by a new market of international academic institutions to partner with FIU managed by FIU HCN for new programs. We are developing programmatic offerings for faculty development for our partner universities and including potential services accessible online to international markets. These new developments will increase management fee revenues to HCN and programmatic revenues to HWCOM.

#### **REQUESTS FOR INFORMATION**

This financial statement is designed to provide a general overview of the FIU HCN's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc., 11200 SW 8<sup>th</sup> Street, Miami, Florida 33199.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

**ASSETS**

<b>Current assets</b>	
Cash and cash equivalents	\$ 8,339,815
Management fee receivable	151,345
Rent receivable	2,257
Prepaid expenses	17,203
Total current assets	<u>8,510,620</u>
<b>Noncurrent assets</b>	
Depreciable capital assets, net	151,275
<b>Total assets</b>	<u><u>\$ 8,661,895</u></u>

**LIABILITIES**

<b>Current liabilities</b>	
Accounts payable	\$ 1,778,667
Due to Florida International University	339,374
Unearned revenue	798,131
Total current liabilities	<u>2,916,172</u>
<b>Noncurrent liabilities</b>	
Due to Florida International University	7,048,249
<b>Total liabilities</b>	<u><u>\$ 9,964,421</u></u>

**NET POSITION**

<b>Net position</b>	
Net investment in capital assets	\$ 151,275
Unrestricted (see note 7)	(1,453,801)
<b>Total net position</b>	<u><u>\$ (1,302,526)</u></u>

The accompanying notes are an integral part  
of this financial statement.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Operating revenues</b>	
Management fee revenue	\$ 2,891,629
Educational program	4,617,318
Rental revenue	496,350
Rental revenue - common area maintenance	163,312
Other revenue	1,808,479
Total operating revenues	<u>9,977,088</u>
<b>Operating expenses</b>	
Contractual personnel services	2,336,697
Contracted professional consulting services	2,496,284
Rentals and leases	118,662
Common area maintenance expenses	41,494
Other operating	420,259
Depreciation	63,275
Supplies - medical	119,191
Utilities	41,714
Repairs and maintenance	9,013
Advertising and promotion	40,892
Insurance	23,289
Supplies - other	39,439
Total operating expenses	<u>5,750,209</u>
<b>Operating gain</b>	4,226,879
<b>Nonoperating expenses</b>	
Interest expense	(154,312)
<b>Gain before transfers</b>	<u>4,072,567</u>
<b>Transfers to Florida International University</b>	(2,254,302)
<b>Change in net position</b>	<u>1,818,265</u>
<b>Net position, beginning of year, as originally stated</b>	(3,632,768)
<b>Prior period adjustment (see Note 8)</b>	511,977
<b>Net position, beginning of year, as restated</b>	<u>(3,120,791)</u>
<b>Net position, end of year</b>	<u><u>\$ (1,302,526)</u></u>

The accompanying notes are an integral part  
of this financial statement.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Cash flows from operating activities</b>	
Receipts from management fee revenue	\$ 2,998,866
Receipts from educational program revenue	4,817,858
Receipts from rent and other revenue	2,610,874
Payments to suppliers for goods and services	<u>(5,371,905)</u>
Net cash and cash equivalents provided by operating activities	<u>5,055,693</u>
 <b>Cash flows from noncapital financing activities</b>	
Transfer to Florida International University	(2,582,293)
Interest paid to Florida International University	<u>(154,312)</u>
Net cash and cash equivalents used in noncapital financing activities	<u>(2,736,605)</u>
 <b>Net change in cash and cash equivalents</b>	<u>2,319,088</u>
 <b>Cash and cash equivalents, beginning of year</b>	6,020,727
 <b>Cash and cash equivalents, end of year</b>	<u><u>\$ 8,339,815</u></u>
 <b>Reconciliation of operating gain to net cash and cash equivalents provided by operating activities:</b>	
Operating gain	\$ 4,226,879
Depreciation	63,275
Adjustments to reconcile operating gain to net cash and cash equivalents provided by operating activities:	
Increase in rent receivable	(1,121)
Decrease in management fee receivable	107,237
Decrease in education program receivable	229,564
Decrease in sales tax receivable	143,854
Increase in other current assets	(9,512)
Increase in accounts payable	324,541
Decrease in unearned revenue	(29,024)
 Net cash and cash equivalents provided by operating activities	<u><u>\$ 5,055,693</u></u>

The accompanying notes are an integral part  
of this financial statement.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER  
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

(1) **Summary of Significant Accounting Policies:**

(a) **Reporting entity**—The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN), a Florida not-for-profit corporation, is a component unit of Florida International University (FIU). The FIU HCN exists exclusively to support the mission of FIU to improve and support health education at the FIU in the Herbert Wertheim College of Medicine (HWCOC), the Robert Stempel College of Public Health and Social Work, the College of Nursing and Health Sciences, and departments in the College of Arts and Sciences with clinical activities. The FIU HCN has been granted tax-exempt organization status as defined by Section 501(c)(3) of the Internal Revenue Code. FIU HCN transitioned to a Management Services Organization (MSO) model in fiscal year 2016 where management services are provided to HWCOC, Office of International Affairs (OIA), the FIU Student Health Clinics, CCS, and Embrace. Additionally, FIU HCN also receives sublease revenue.

The FIU HCN was organized in the State of Florida on February 21, 2008 and on August 9, 2012, the FIU HCN changed its name from The Florida International University College of Medicine Health Care Network Faculty Group Practice, Inc. to The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc.

(b) **Basis of presentation**—The financial statements of the FIU HCN have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The FIU HCN reports under the GASB standards because it meets the criteria regarding the popular election of officers or appointment of a controlling majority of the members of the FIU HCN's governing body by one or more state or local governments.

In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the FIU HCN met the criteria to use enterprise fund accounting and financial reporting. Accordingly, the financial statements are reported using the economic resources measurement focus and accrual basis of accounting, which recognizes revenue when earned and expenses when a liability is incurred, regardless of timing of the related cash flow.

(c) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

(d) **Cash and cash equivalents**—The FIU HCN considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution, eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits (includes cash and restricted cash) are insured or collateralized.



**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER  
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Capital assets**—Capital assets are reported at historical cost less accumulated depreciation and amortization. Capital assets consist of fixed and moveable medical equipment and leasehold improvements. Depreciation and amortization are calculated using the straight line method over the following estimated service lives, which consist of 10 years for leasehold improvements, 5-15 years for moveable equipment and 5-7 years for fixed equipment.

(f) **Flow assumption for restricted assets**—If both restricted and unrestricted assets are available for use for a certain purpose, it is the FIU HCN's policy to use restricted assets first, and then use unrestricted assets as needed.

(g) **Operating revenue and expenses**—The FIU HCN's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing management services to HWCOC, Student Health Clinics, Embrace, the management of the educational program for the OIA which are earned under the terms of the agreement with the American University in Antigua (AUA), CCS credentialing services, and the subleases to Miami Children's Hospital and Gastro Health. Operating expenses include all expenses incurred to provide management services, other than external financing costs. Additionally, operating expenses also include programmatic services and other expenses that are passed through to stake holders.

(h) **Educational program revenue**—Educational program revenues are earned under the terms of the agreement with the AUA and consist of monthly tuition revenues earned at the start of each program cycle. In addition, FIU HCN receives program revenue under OIA from the International Visiting Medical Student program administered to international students through collaboration with various institutions. As part of the MSO role for OIA, FIU HCN manages the operations and is custodial of programmatic profits until such time the HWCOC requests transfers of the profits.

(i) **Income taxes**—The FIU HCN is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes, except for unrelated business income. There were no income taxes resulting from unrelated business income during the year ended June 30, 2019.

(j) **Pronouncements issued**—GASB issued Statement No. 87, *Leases*, in June 2017. GASB No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB No. 87 are effective for periods beginning after December 15, 2019.

(k) **Subsequent events**—The FIU HCN has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 24, 2019, the date of the financial statements where available for issue. No subsequent events have been recognized or disclosed.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER  
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**(2) Educational Program:**

Effective October 1, 2013, an agreement was executed by HWCOCM on behalf of the FIU HCN with the AUA that allows for the opportunity for qualified AUA students to participate in a HWCOCM Clinical Certificate Program that offers clinical rotations in multiple medical specialties under three different AUA programs. A new agreement with the AUA was executed by HWCOCM, FIU HCN and the Florida International University effective October 1, 2018 through September 30, 2021, increasing rates and replacing the previous agreement. The agreement shall automatically renew for an additional seven consecutive one year terms until September 30, 2028 and it will generate management fee and education program revenues for the FIU HCN.

For the year ended June 30, 2019, total revenues earned under the terms of the agreements approximated \$4,868,000, composed of \$1,730,000 in management fee revenue and \$3,138,000 in educational program revenue.

**(3) Depreciable Capital Assets:**

A summary of depreciable capital assets is as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2019</u>
Medical equipment	\$ 551,669	\$ -	\$ -	\$ 551,669
Accumulated depreciation	(337,119)	(63,275)	-	(400,394)
Depreciable capital assets, net	<u>\$ 214,550</u>	<u>\$ (63,275)</u>	<u>\$ -</u>	<u>\$ 151,275</u>

The above balance includes \$42,554 of net depreciable capital assets that were idle during the year ended June 30, 2019.

**(4) Related Party Transactions:**

On August 27, 2010, the FIU HCN entered into a loan agreement totaling \$5,321,198 with FIU in order to provide working capital and build out capital to fund the expansion of the faculty practice plan and the establishment of the ambulatory care center and other FIU clinical activities. In June of 2015 FIU HCN renegotiated the loan agreement with FIU and borrowed an additional \$3,015,652. The total loaned by FIU to HCN was \$8,633,962, interest on the loan accrues at 2.00% simple interest and the loan is scheduled to mature in 2036.

Estimated principal and interest payments for the life of the amounts due to FIU, based on the balance due as of June 30, 2019, are as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 339,374	\$ 147,752	\$ 487,126
2021	351,033	140,965	491,998
2022	362,973	133,944	496,917
2023	375,202	126,685	501,887
2024	387,725	119,181	506,906
2025-2029	2,137,223	474,363	2,611,587
2030-2034	2,498,265	246,539	2,744,803
2035-2036	935,828	26,497	962,325
Total	<u>\$ 7,387,623</u>	<u>\$ 1,415,926</u>	<u>\$ 8,803,549</u>

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER  
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

(4) **Related Party Transactions:** (Continued)

In addition, at June 30, 2019 \$287,601 was owed to FIU for expenses incurred in the ordinary course of business and is included in accounts payable on the statement of net position. Amounts owed from FIU for revenues incurred in the ordinary course of business are included in management fee receivable on the statements of net position at June 30, 2019 totaled \$143,435.

(5) **Leases:**

The University and the FIU HCN are parties to a space leasing agreement for the Ambulatory Care Center with a term of 40 years, expiring in October 2053. For the year ended June 30, 2019, rent expense under this agreement amounted to \$1.

Furthermore, certain space within this facility was subleased with rental income of \$496,350 and common area maintenance income of \$163,312 for the year ended June 30, 2019. This sublease runs through 2035, and has an option to renew for an additional 10 year period. Future minimum rentals will be increased by the Bureau Labor Statistics Consumer Price Index (“CPI”) on annual basis. Future minimum rentals to be received on the sublease are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Rent</b>	<b>Common Area Maintenance</b>	<b>Amount</b>
2020	\$ 496,350	\$ 163,312	\$ 659,662
2021	496,350	163,312	659,662
2022	496,350	163,312	659,662
2023	496,350	163,312	659,662
2024	496,350	163,312	659,662
Thereafter	5,335,763	1,755,604	7,091,367
Total future minimum rentals	<u>\$ 7,817,513</u>	<u>\$ 2,572,164</u>	<u>\$ 10,389,677</u>

The FIU HCN leases equipment and building occupancy on a month-to-month basis. Total rental expense for the year ended June 30, 2019 was \$118,662.

(6) **Commitments and Contingencies:**

**Healthcare industry**—The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare participation requirements, reimbursement for patient services, Medicare fraud and abuse and under provisions of the Health Insurance Portability and Accountability Act of 1996, patient records privacy and security. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the FIU HCN is currently in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER  
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

(7) **Unrestricted Net Position:**

Unrestricted net position is classified as follows at June 30, 2019:

<b>Designated</b>	
Common area maintenance	\$ 633,795
Office of International Affairs	522,325
<b>Total designated</b>	1,156,120
<b>Undesignated</b>	
This component represents funds that have not been designated for any purpose by the Board of Directors and are readily available for expenditure, in accordance with the purpose and bylaws of the FIU HCN [see Note (1) (a)]	
<b>Total unrestricted net position</b>	\$ (1,453,801)

(8) **Prior Period Adjustment:**

During 2019, management determined that rental fees collected for common area maintenance (CAM) on the Ambulatory Care Center should be recognized as revenue when collected, and costs incurred associated with CAM should be expensed as incurred (see Note 5). Previously, the rental fees collected had been recorded as a liability for future CAM expenses and costs incurred for CAM items had been recorded as reductions of this liability. This resulted in an increase in beginning net position at July 1, 2018 from (\$3,632,768) to (\$3,120,791) in the accompanying financial statements.

## **COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors and Audit Committee of,  
The Florida International University Academic Health Center  
Health Care Network Faculty Group Practice, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN) as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2019.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the FIU HCN's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FIU HCN's internal control. Accordingly, we do not express an opinion on the effectiveness of the FIU HCN's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

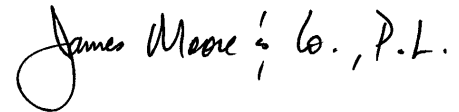
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the FIU HCN's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Gainesville, Florida  
October 24, 2019