



Financial Statements

Central Florida Clinical Practice Organization, Inc.

Years Ended June 30, 2020 and 2019

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Central Florida Clinical Practice Organization, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Central Florida Clinical Practice Organization, Inc. (the CFCPO) (a component unit of the University of Central Florida), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the CFCPO's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 CFCPO'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 CFCPO'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 business-type activities of the Central Florida Clinical Practice Organization, Inc. as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years 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 the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a 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 August 24, 2020 on our consideration of the CFCPO'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 solely 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 the effectiveness of 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 CFCPO's internal control over financial reporting and compliance.

PYA, P.C.

Tampa, Florida
August 24, 2020

Management's Discussion and Analysis

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Management's Discussion and Analysis

INTRODUCTION

This section of the Central Florida Clinical Practice Organization, Inc.'s (the CFCPO) annual report provides an overview of its financial results for the years ended June 30, 2020 and 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes. The financial statements, footnotes, and this discussion and analysis are the responsibility of management.

The primary mission of the CFCPO is to provide administrative services for the University of Central Florida College of Medicine's (College of Medicine) clinical mission, that includes UCF Health, the faculty practice of the College, and HealthARCH, a healthcare consulting unit. As part of the administrative services, the CFCPO performs the billing and collection of professional fees associated with the practice of medicine, advisory services provided by HealthARCH, and directly pays the associated non-salary operating expenses for those services. The CFCPO also transfers money back to the College of Medicine to fund associated faculty and staff compensation and other reporting expenses and holds certain assets such as medical equipment that are reported in the financial statements.

HealthARCH has provided education and direct technical assistance to over 10 thousand providers at over 1 thousand organizations since its inception in 2010. Patient Centered Medical Home (PCMH), Revenue Cycle and the Merit Based Incentive Payment System are the key services behind HealthARCH's fee for service revenue.

The most significant operating event for the CFCPO in Fiscal Year 2020 was the onset of the COVID-19 pandemic. In mid-March, the UCF Health clinic closed for in-person visits and quickly put together the capability to do video televisits. Although UCF Health experienced a significant drop in revenue for six to eight weeks, the clinic's agility and responsiveness kept revenue losses versus budget to less than half what was initially anticipated.

Also, in Fiscal Year 2020, the CFCPO transferred to the College of Medicine \$2.1 million less compared to prior year. Cash reserves declined by \$1.6 million, but remained above the \$2 million goal set at the beginning of the fiscal year.

FINANCIAL ANALYSIS

The following is a summary of the financial performance of the CFCPO, segregated by the Statements of Net Position, Condensed Statements of Revenue, Expenses and Changes in Net Position and Condensed Statements of Cash Flows. The year ended June 30, 2020 represents the eighth full year of operations for the CFCPO.

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Management's Discussion and Analysis - Continued

STATEMENTS OF NET POSITION – ASSETS

	<i>June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2020</i>	<i>2019</i>	<i>(Decrease)</i>	<i>Change</i>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 2,304,041	\$ 3,925,770	\$ (1,621,729)	-41%
Patient accounts receivable, net	618,273	533,459	84,814	16%
HealthARCH accounts receivable, net	28,220	9,237	18,983	206%
Due from affiliates	222,102	222,307	(205)	0%
Other assets	245,382	186,555	58,827	32%
TOTAL CURRENT ASSETS	3,418,018	4,877,328	(1,459,310)	-30%
CAPITAL ASSETS:				
Property and equipment, net	154,671	221,364	(66,693)	-30%
OTHER ASSETS				
	173,582	258,804	(85,222)	-33%
TOTAL ASSETS	\$ 3,746,271	\$ 5,357,496	\$ (1,611,225)	-30%

Total assets decreased by \$1.6 million, from approximately \$5.4 million in Fiscal Year 2019 to approximately \$3.7 million in Fiscal Year 2020. The decrease is mainly a result of the reduction in cash balance driven by transfers to the College of Medicine.

The CFCPO ended Fiscal Year 2020 with approximately \$2.3 million in cash and cash equivalents, down from \$3.9 million in Fiscal Year 2019, due to cash transfers to the College of Medicine in support of clinical salaries.

Patient accounts receivable increased from approximately \$533 thousand in Fiscal Year 2019 to approximately \$618 thousand in Fiscal Year 2020. Although there was a decrease in patient accounts receivable in April and May, a strong month of clinical activity in June resulted in a slight increase in the balance year over year.

Accounts receivable related to HealthARCH increased from \$9 thousand as of June 2019 to \$28 thousand as of June 2020. Management believes there is no significant risk of uncollectable accounts receivable.

Due from affiliates remained consistent at approximately \$222 thousand in both Fiscal Years 2019 and 2020. The majority of this being patient payments that are deposited by government and commercial payers into the university bank account instead of the CFCPO bank account.

Other current assets increased from approximately \$187 thousand in Fiscal Year 2019 to approximately \$245 thousand in Fiscal Year 2020, due to an increase in receivables from operations in Osceola County.

Capital assets decreased from approximately \$221 thousand in Fiscal Year 2019 to approximately \$155 thousand in Fiscal Year 2020 due to depreciation of existing IT and medical equipment.

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Management's Discussion and Analysis - Continued

STATEMENTS OF NET POSITION – LIABILITIES

	<i>June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2020</i>	<i>2019</i>	<i>(Decrease)</i>	<i>Change</i>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	\$ 192,298	\$ 372,751	\$ (180,453)	-48%
Accrued expenses	162,693	213,628	(50,935)	-24%
Other accrued liabilities	158,647	158,236	411	0%
Unearned revenue	5,580	8,078	(2,498)	-31%
TOTAL CURRENT LIABILITIES	519,218	752,693	(233,475)	-31%
DUE TO AFFILIATES	564	732,288	(731,724)	-100%
TOTAL LIABILITIES	\$ 519,782	\$ 1,484,981	\$ (965,199)	-65%

Total liabilities decreased from approximately \$1.5 million in Fiscal Year 2019 to approximately \$520 thousand in Fiscal Year 2020.

Accounts payable decreased from approximately \$373 thousand in Fiscal Year 2019 to approximately \$192 thousand in Fiscal Year 2020. Approximately \$142 thousand of this difference is due to the change in patient accounts receivable credit balances and refunds payable. \$38 thousand is due a decrease in vendor accounts payable.

Accrued expenses decreased from approximately \$214 thousand in Fiscal Year 2019 to approximately \$163 thousand in Fiscal Year 2020. Other accrued liabilities, which represents liabilities associated with the Medicaid Supplemental Payment program remained consistent year to year.

Due to affiliates was approximately \$732 thousand in Fiscal Year 2019, and this was the amount of cash collected in the CFCPO bank account belonging to the University of Central Florida (the University). \$500 thousand was due to a check received from the VA on June 27th, 2019. In Fiscal Year 2020, almost all monies received by the CFCPO that belonged to the University were transferred before year end.

STATEMENTS OF NET POSITION - NET POSITION

	<i>June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2020</i>	<i>2019</i>	<i>(Decrease)</i>	<i>Change</i>
NET POSITION:				
Net investment in capital assets	\$ 154,671	\$ 221,364	\$ (66,693)	-30%
Unrestricted	3,071,818	3,651,151	(579,333)	-16%
TOTAL NET POSITION	\$ 3,226,489	\$ 3,872,515	\$ (646,026)	-17%

Total net position of the CFCPO decreased from approximately \$3.9 million in Fiscal Year 2019 to approximately \$3.2 million in Fiscal Year 2020.

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Management's Discussion and Analysis - Continued

CONDENSED STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	<i>Year Ended June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2020</i>	<i>2019</i>	<i>(Decrease)</i>	<i>Change</i>
TOTAL OPERATING REVENUE	\$ 7,497,681	\$ 7,262,469	\$ 235,212	3%
TOTAL OPERATING EXPENSES	2,405,692	2,899,184	(493,492)	-17%
OPERATING INCOME	5,091,989	4,363,285	728,704	17%
TOTAL NONOPERATING REVENUE	143,586	-	143,586	100%
TOTAL TRANSFERS	(5,881,601)	(7,947,253)	2,065,652	-26%
DECREASE IN NET POSITION	(646,026)	(3,583,968)	2,937,942	-82%
NET POSITION, BEGINNING OF YEAR	3,872,515	7,456,483	(3,583,968)	-48%
NET POSITION, END OF YEAR	\$ 3,226,489	\$ 3,872,515	\$ (646,026)	-17%

The Statements of Revenue, Expenses and Changes in Net Position reflect the financial and operational progress that UCF Health made in Fiscal Year 2020 when compared to Fiscal Year 2019.

Total operating revenue increased from approximately \$7.26 million in Fiscal Year 2019 to approximately \$7.5 million in Fiscal Year 2020. Despite COVID-19, revenue from patient care increased from approximately \$6.3 million in Fiscal Year 2019 to approximately \$6.7 million in Fiscal Year 2020. Other revenue, such as insurance incentives and professional fees from the HealthARCH unit, decreased from approximately \$948 thousand in Fiscal Year 2019 to approximately \$840 thousand in Fiscal Year 2020. Professional fees from the HealthARCH unit decreased by approximately \$84 thousand and other revenue in UCF Health decreased approximately \$25 thousand.

Total operating expenses decreased from approximately \$2.9 million in Fiscal Year 2019 to approximately \$2.4 million in Fiscal Year 2020. These decreases were accumulated across most expenses categories, including medical supplies, information technology, professional fees, facilities, supplies and marketing. Depreciation expense, a non-cash expense driven by capital investment, experienced the most significant increase.

Due to the increase in operating revenue and decrease in operating expenses, operating income increased by approximately \$729 thousand compared to prior year.

Transfers to the College of Medicine decreased from approximately \$7.9 million in Fiscal Year 2019 to approximately \$5.9 million in Fiscal Year 2020. The \$5.9 million covered UCF Health and HealthARCH related expenses, paid by the College of Medicine, consisting of \$5.7 million in faculty and staff compensation, and the remaining \$200 thousand in operating expenses. The change in net position was a negative \$646 thousand in Fiscal Year 2020 as compared to a negative \$3.6 million in Fiscal Year 2019.

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Management's Discussion and Analysis - Continued

CONDENSED STATEMENTS OF CASH FLOWS

	<i>Year Ended June 30,</i>		<i>Increase/</i>	<i>Percent</i>
	<i>2020</i>	<i>2019</i>	<i>(Decrease)</i>	<i>Change</i>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,849,192	\$ 4,716,824	\$ 132,368	3%
CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(6,469,739)	(7,214,965)	745,226	-10%
CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,182)	(141,974)	140,792	-99%
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,621,729)	(2,640,115)	1,018,386	-39%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,925,770	6,565,885	(2,640,115)	-40%
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,304,041	\$ 3,925,770	\$ (1,621,729)	-41%

Net cash from operating activities increased from approximately \$4.7 million in Fiscal Year 2019 to approximately \$4.9 million in Fiscal Year 2020. Cash used in non-capital financing activities dropped from \$7.2 million in Fiscal Year 2019 to \$6.5 million in Fiscal Year 2020 as transfers decreased from the CFCPO to the College of Medicine. Purchases of capital assets decreased from approximately \$142 thousand in Fiscal Year 2019 to approximately \$1 thousand in Fiscal Year 2020. Overall, there was an approximate net change in cash and cash equivalents of negative \$1.6 million in Fiscal Year 2020 compared to an approximate negative \$2.6 million net change in Fiscal Year 2019.

The financial results for the CFCPO in Fiscal Year 2020 reflect a decrease in net position of approximately \$646 thousand due to the drawdown of the cash reserves in excess of collections. Positive indicators in Fiscal Year 2020 include a 17% increase in operating income and a cash reserve balance of over \$2.3 million.

Financial Statements

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Statements of Net Position

	<i>June 30,</i>	
	<i>2020</i>	<i>2019</i>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,304,041	\$ 3,925,770
Patient accounts receivable, net of estimated contractual adjustments and uncollectible accounts of \$1,003,530 in 2020 and \$1,919,575 in 2019	618,273	533,459
HealthARCH accounts receivable, net of estimated allowance for doubtful accounts of \$11,457 in 2020 and 2019	28,220	9,237
Due from affiliates	222,102	222,307
Other assets	245,382	186,555
TOTAL CURRENT ASSETS	3,418,018	4,877,328
CAPITAL ASSETS:		
Property and equipment, net	154,671	221,364
OTHER ASSETS		
	173,582	258,804
TOTAL ASSETS	\$ 3,746,271	\$ 5,357,496
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 192,298	\$ 372,751
Accrued expenses	162,693	213,628
Other accrued liabilities	158,647	158,236
Unearned revenue	5,580	8,078
TOTAL CURRENT LIABILITIES	519,218	752,693
DUE TO AFFILIATES	564	732,288
TOTAL LIABILITIES	519,782	1,484,981
COMMITMENTS AND CONTINGENCIES -		
Notes E and H		
NET POSITION:		
Net investment in capital assets	154,671	221,364
Unrestricted	3,071,818	3,651,151
TOTAL NET POSITION	3,226,489	3,872,515
TOTAL LIABILITIES AND NET POSITION	\$ 3,746,271	\$ 5,357,496

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Statements of Revenue, Expenses and Changes in Net Position

	<i>Year Ended June 30,</i>	
	<i>2020</i>	<i>2019</i>
OPERATING REVENUE:		
Charges for services:		
Net patient service revenue	\$ 6,657,563	\$ 6,314,675
Other revenue	840,118	947,794
TOTAL OPERATING REVENUE	7,497,681	7,262,469
OPERATING EXPENSES:		
Medical supplies	962,836	1,006,461
Information technology	441,849	629,315
Professional fees	581,815	756,029
Facility	214,358	219,404
Supplies and repairs	62,788	101,671
Marketing	24,876	82,693
Depreciation	67,875	55,882
Other	49,295	47,729
TOTAL OPERATING EXPENSES	2,405,692	2,899,184
OPERATING INCOME	5,091,989	4,363,285
NONOPERATING REVENUE:		
Other income	143,586	-
TOTAL NONOPERATING REVENUE	143,586	-
INCREASE IN NET POSITION BEFORE TRANSFERS		
	5,235,575	4,363,285
TRANSFERS:		
Transfers to the University of Central Florida		
College of Medicine	(5,881,601)	(7,947,253)
TOTAL TRANSFERS	(5,881,601)	(7,947,253)
DECREASE IN NET POSITION	(646,026)	(3,583,968)
NET POSITION, BEGINNING OF YEAR	3,872,515	7,456,483
NET POSITION, END OF YEAR	\$ 3,226,489	\$ 3,872,515

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Statements of Cash Flows

	<i>Year Ended June 30,</i>	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from and on behalf of patients	\$ 6,573,365	\$ 6,273,251
Other receipts	756,710	967,004
Payments to suppliers and others	(2,480,883)	(2,523,431)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,849,192	4,716,824
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Other receipts	143,586	-
Receipts from third parties to be paid to the University of Central Florida	564	732,288
Distributions of receipts from third parties to be paid to the University of Central Florida	(732,288)	-
Transfers to the University of Central Florida College of Medicine	(5,881,601)	(7,947,253)
CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(6,469,739)	(7,214,965)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(1,182)	(141,974)
CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,182)	(141,974)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,621,729)	(2,640,115)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,925,770	6,565,885
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,304,041	\$ 3,925,770

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Statements of Cash Flows - Continued

	<i>Year Ended June 30,</i>	
	<i>2020</i>	<i>2019</i>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 5,091,989	\$ 4,363,285
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	67,875	55,882
Increase (decrease) in cash due to changes in:		
Patient accounts receivable, net	(84,814)	57,822
HealthARCH accounts receivable	(18,983)	17,758
Due to/from affiliates	205	(142,984)
Other assets	26,395	100,354
Accounts payable	(180,453)	227,374
Accrued expenses	(50,935)	(5,156)
Other accrued liabilities	411	43,738
Unearned revenue	(2,498)	(1,249)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,849,192</u>	<u>\$ 4,716,824</u>

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

NOTE A--REPORTING ENTITY

The Central Florida Clinical Practice Organization, Inc. (the CFCPO) is a not-for-profit corporation formed by the physicians at the University of Central Florida College of Medicine (College of Medicine) and activated in October 2011. The CFCPO was formed primarily to serve as a support entity for the College of Medicine's clinical mission, including the faculty practice, UCF Health. The CFCPO performs the billing and collection of professional fees associated with the practice of medicine at UCF Health. UCF Health currently operates two clinic locations. The CFCPO transfers funds to the College of Medicine for use in funding salary reimbursement and other operating expenses for the benefit of the College of Medicine. The CFCPO is an affiliated organization component unit of the University of Central Florida (the University) and is, therefore, included by discrete presentation in the financial statements of that reporting entity.

The CFCPO performs the accounting function and the related billing and collection responsibilities for HealthARCH, an organization that advances resources to support healthcare professionals in transforming and continuously improving healthcare delivery, the patient experience and health outcomes while reducing the cost of healthcare. HealthARCH services are primarily provided to entities that are not affiliated with the CFCPO or the College of Medicine. HealthARCH revenue and related accounts receivable are not directly related to patient care services and as such are recognized separately from net patient service revenue and patient accounts receivable in the accompanying financial statements.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The CFCPO is accounted for as an internal service fund. Internal service funds are used to account for the financing of goods and services by one college or agency to independent agencies and other governments.

The CFCPO's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The CFCPO has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting.

Basis of Accounting: The CFCPO's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenue, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenue, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The CFCPO follows GASB standards of accounting and financial reporting.

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2020 and 2019

Cash and Cash Equivalents: The CFCPO considers all highly liquid investments, including cash and interest-bearing deposits with maturities of three months or less when purchased, as cash equivalents for purposes of reporting cash flows.

Net Patient Service Revenue and Receivables: UCF Health's patient service revenue is recognized by the CFCPO as revenue in the period when the services are performed and is reported on the accrual basis at the estimated net realizable amounts from patients, third-party payers and others. A significant portion of the services provided by UCF Health is to patients whose bills are reimbursed by third-party payers such as Medicare, Medicaid, and private insurance carriers. Net patient service revenue includes amounts estimated by management to be reimbursable by third-party payer programs under payment formulas in effect. Net patient service revenue also includes an estimated provision for bad debts based upon management's evaluation of collectability of patient receivables. The estimate considers the age of the receivables and other criteria such as payer classifications.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments. Individual accounts are charged-off against the estimated allowance for uncollectible accounts when management determines that it is unlikely that the account will be collected. The contractual allowance represents the difference between UCF Health's established billing rates and estimated reimbursement from Medicare, Medicaid, and other third-party payment programs. The CFCPO does not require collateral or other security for patient accounts receivable. UCF Health routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Inventory: Inventory consists primarily of medical and general store supplies, and is stated at the lower of cost (first-in, first-out) or market. Inventory is included in other assets on the Statement of Net Position.

Capital Assets: The CFCPO's capital assets are reported at historical cost. Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated utilizing the straight-line method over the following estimated service lives: 3-10 years for furniture, equipment, computer hardware and computer software. Maintenance and repair costs are expensed as incurred. The CFCPO reviews the carrying value of capital assets if facts and circumstances indicate that recoverability may be impacted. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The CFCPO did not experience any prominent events or changes in circumstances affecting capital assets which would require determination as to whether impairment of a capital asset has occurred during the year ended June 30, 2020.

Estimated Liability for Refunds: If applicable, an estimated liability is provided for potential refunds to UCF Health's patients and third-party payers.

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2020 and 2019

Net Position: Net position of the CFCPO is classified in components. *Net investment in capital assets* consists of property and equipment net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position*. The CFCPO had no *restricted net position* at June 30, 2020 and 2019.

Operating Revenue and Expenses: The CFCPO's statements of revenue, expenses and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with the College of Medicine providing healthcare and education services and advancing resources to healthcare professionals. Other sources of revenue, expenses, gains and losses are reported as nonoperating. Operating expenses are all expenses incurred by the CFCPO for UCF Health to provide healthcare and education services and advance resources to healthcare professionals.

Income Taxes: The CFCPO is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is also exempt from state income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements and there were no uncertain tax positions as of June 30, 2020 and 2019.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates associated with contractual allowances and allowances for uncollectible accounts are particularly susceptible to material change in the near term. Future results could differ from the current estimates.

Reclassifications: Certain 2019 amounts have been reclassified to conform with the 2020 presentation in the accompanying financial statements.

NOTE C--NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE

Net patient service revenue is derived principally from professional fees generated by the faculty of the College of Medicine from the treatment of patients in the CFCPO operated clinics. Net patient service revenue is revenue from professional fees charged to individual patients and funded through third party payers and private patient payments based on established reimbursement rates. A reconciliation of the net patient service revenue as presented in the statements of revenue, expenses and changes in net position for the years ended June 30, 2020 and 2019, is as follows:

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2020 and 2019

	<i>Year Ended June 30,</i>	
	<i>2020</i>	<i>2019</i>
Gross direct charges from patient care	\$ 16,461,593	\$ 16,775,254
Less: Contractual adjustments	(9,463,085)	(9,242,112)
Bad debt	(340,945)	(1,218,467)
Total net patient service revenue	<u>\$ 6,657,563</u>	<u>\$ 6,314,675</u>

Patient service revenue net of contractual adjustments by major payer source is as follows:

	<i>As of June 30,</i>	
	<i>2020</i>	<i>2019</i>
Third-party payers	\$ 6,902,804	\$ 7,373,504
Patients, primarily self insured	95,704	159,638
	<u>\$ 6,998,508</u>	<u>\$ 7,533,142</u>

A summary of the payment arrangements with major third-party payers follows:

Medicare: College of Medicine faculty physicians are participating in the Medicare program. Medicare pays 80% of the allowed charge with the patient being responsible for a 20% co-payment and an annual deductible. A contractual adjustment is recorded for the difference between the physician's charge and the Medicare allowable amount.

Medicaid: Services furnished by the College of Medicine to Medicaid patients are reimbursed under a state fee schedule.

Medicaid Enhanced Payment Program: Physicians employed by or under contract with designated Florida medical schools are eligible to receive supplemental reimbursement under the Medicaid Enhanced Payment Program (the Program). The CFCPO did not receive any funding under the program during the year ended June 30, 2020. The CFCPO received \$43,738 in net proceeds from the program during the year ended June 30, 2019. Subject to not meeting certain Program provisions, the CFCPO anticipates refunding all net proceeds back to the Program that the CFCPO has received to date as of June 30, 2020. Accordingly, net patient service revenue for the years ended June 30, 2020 and 2019 does not include an amount related to the Program, and other accrued liabilities in the statements of net position includes \$158,236 associated with the Program as of June 30, 2020 and 2019. No amount was due to the CFCPO under the Program as of June 30, 2020 and 2019.

Other: The College of Medicine has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2020 and 2019

organizations (PPOs). The bases for payment to the College of Medicine vary. Many of the PPO arrangements are based on the third-party's fee schedule.

Amounts earned under contractual arrangements with the Medicare and Medicaid programs are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. In the opinion of management, adequate provision has been made for any adjustments which may result from such reviews. Activity with respect to these reviews has increased and is expected to continue to increase in the future. No additional reserves have been established with regard to possible increased reviews in the future as management is not able to estimate such amounts, if any. In addition, participation in these programs subjects the CFCPO to significant rules and regulations. Failure to adhere to such regulations could result in fines, penalties or expulsion from the programs.

The CFCPO's net patient accounts receivable consists primarily of amounts to be funded through third-party payer and private payments. Net patient accounts receivable as of June 30, 2020 and 2019 are summarized as follows:

	<i>As of June 30,</i>	
	<i>2020</i>	<i>2019</i>
Patient accounts receivable based on established charges	\$ 1,621,803	\$ 2,453,034
Estimated contractual adjustments	(943,626)	(876,548)
Estimated allowance for bad debts	(59,904)	(1,043,027)
Patient accounts receivable, net	<u>\$ 618,273</u>	<u>\$ 533,459</u>

Accounts receivable are reduced by an allowance for bad debts. Based on historical experience, the CFCPO estimates the allowance and provision for bad debts based upon a percentage of the patient accounts receivable by aging category.

The CFCPO's estimated allowance for bad debts decreased from June 30, 2019 to 2020 primarily due to reserves established for aged accounts receivable associated with the CFCPO's legacy accounts receivable billing system during 2019.

NOTE D--CAPITAL ASSETS

A summary of property and equipment and schedule of activity is as follows:

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2020 and 2019

	<i>Balance at</i>					<i>Balance at</i>
	<i>June 30, 2019</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>		<i>June 30, 2020</i>
Capital assets:						
Furniture, equipment and computers	\$ 911,226	\$ 1,182	\$ -	\$ -		\$ 912,408
Accumulated depreciation:						
Furniture, equipment and computers	689,862	67,875	-	-		757,737
Total capital assets, net	<u>\$ 221,364</u>	<u>\$ (66,693)</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 154,671</u>

	<i>Balance at</i>					<i>Balance at</i>
	<i>June 30, 2018</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>		<i>June 30, 2019</i>
Capital assets:						
Furniture, equipment and computers	\$ 769,252	\$ 141,974	\$ -	\$ -		\$ 911,226
Accumulated depreciation:						
Furniture, equipment and computers	633,980	55,882	-	-		689,862
Total capital assets, net	<u>\$ 135,272</u>	<u>\$ 86,092</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 221,364</u>

NOTE E--OPERATING LEASES

The CFCPO leases certain equipment under operating lease agreements. Rent expense associated with the leases was approximately \$96,800 and \$71,400, respectively, for the fiscal years ended June 30, 2020 and 2019. Future minimum rental payments required under non-cancelable operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2020, are as follows:

<u><i>Year Ending June 30,</i></u>	
2021	\$ 23,342
2022	13,894
Total minimum payments required	<u>\$ 37,236</u>

NOTE F--RELATED-PARTY TRANSACTIONS

The University historically provides financial support to the CFCPO in the event that cash revenues do not exceed cash expenses. The CFCPO did not receive or require contributions from the University during the fiscal years ended June 30, 2020 and 2019. The CFCPO transfers funds to the College of Medicine to assist with funding for salary supplements and other related costs for the benefit of the faculty and quality of education of the College of Medicine based on available funding. During 2020 and 2019, the CFCPO was required to transfer funds to the

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2020 and 2019

College of Medicine for various salary reimbursement and other operating expenses in the amount of \$5,881,601 and \$7,947,253, respectively.

As of June 30, 2020 and 2019, \$222,102 and \$222,307, respectively, was due from the University's Student Health Clinic related to funds being passed through UCF Health to the CFCPO from third party insurance payers.

At June 30, 2020 and 2019, \$564 and \$732,288, respectively, was due to the College of Medicine primarily related to third party payer payments directed to the CFCPO that belong to the College of Medicine. The amount due as of June 30, 2019, was paid to the College of Medicine during 2020.

NOTE G--OTHER INCOME

During 2020, as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Fund program, the U.S. Department of Health & Human Services (HHS) made distributions to health care providers who bill Medicare fee-for-service in order to provide financial relief during the coronavirus (COVID-19) pandemic. Providers were required to sign an attestation confirming receipt of the funds and agreeing to the terms and conditions of payment. The terms and conditions of payment require that the funds be used to cover lost revenue attributable to COVID-19 or health-related expenses purchased to prevent, prepare for, and respond to coronavirus. The CFCPO attested to receiving and determined it met the terms and conditions of payment during 2020 and, as such, recognized \$143,586 in other nonoperating income for the year ended June 30, 2020. Subsequent to June 30, 2020, HHS provided additional guidance regarding the use of these funds and has indicated that additional information is forthcoming that will provide clarification. In addition, an addendum to the 2020 Office of Management and Budget (OMB) Compliance Supplement that specifically addresses this funding has yet to be issued as of the date of the Independent Auditor's report. As a result, amounts recognized as income related to federal assistance from HHS are subject to change as new and clarifying guidance becomes available.

NOTE H--COMMITMENTS AND CONTINGENCIES

Professional Liability: The University of Central Florida Board of Trustees, acting as the College of Medicine, obtains general and professional liability protection from the University of Central Florida College of Medicine Self-Insurance Program (the Self-Insurance Program), a self-insurance mechanism authorized by the Florida Board of Governors pursuant to Section 1004.24, Florida Statutes.

The Self-Insurance Program affords protection to the University of Central Florida Board of Trustees for claims and actions, as described in Section 768.28, Florida Statutes, including any legislative claim bill that, in combination with the waiver of immunity limits described in Section 768.28, Florida Statutes, do not exceed \$1,000,000 per claim.

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2020 and 2019

In the event the College of Medicine faculty physicians and other professional employees are not subject to the personal immunity described in Section 768.28, Florida Statutes, for example, on assignment outside the State of Florida, the Self-Insurance Program provides the faculty physicians and other professional employees with personal liability protection, in the amount of \$1,000,000 per claim.

The CFCPO is provided protection by the Self-Insurance Program. No amounts have been accrued for incurred but not reported claims as the CFCPO is not able to estimate such amounts.

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 program 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. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

In March 2010, Congress adopted comprehensive healthcare insurance legislation, *Patient Protection and Affordable Care Act* and *Health Care and Educational Reconciliation Act*. The legislation, among other matters, is designed to expand access to coverage to substantively all citizens through a combination of public program expansion and private industry health insurance. Changes to existing Medicaid coverage and payments have occurred, and are expected to continue to occur, as a result of this legislation. Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years and, accordingly, the specific impact of any future regulations is not determinable.

Management believes the CFCPO 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 not asserted at this time.

Credit Risk: Certain financial instruments, primarily cash, potentially subject the CFCPO to concentrations of credit risk. The CFCPO maintains its cash with what it believes to be a high-quality financial institution and thus limits its credit exposure. At times, the cash maintained in this institution exceeds federally insured limits. The CFCPO had amounts in excess of federally insured limits of \$2,126,940 and \$3,759,849 at June 30, 2020 and 2019, respectively.

CENTRAL FLORIDA CLINICAL PRACTICE ORGANIZATION, INC.

Notes to Financial Statements - Continued

Years Ended June 30, 2020 and 2019

NOTE I--SUBSEQUENT EVENTS

Subsequent to and during the year ended June 30, 2020, due to a world-wide pandemic, there has been and continues to be substantial volatility in financial markets, which resulted in broad declines in equity and other markets. The pandemic has also had significant impacts to the economy. Management continues to monitor this volatility, but the ultimate outcome of the pandemic on the CFCPO is unknown.

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2020 financial statements except as discussed above and Note G.

Other Information

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Central Florida Clinical Practice Organization, 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 business-type activities of the Central Florida Clinical Practice Organization, Inc. (the CFCPO) (a component unit of the University of Central Florida) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the CFCPO's basic financial statements, and have issued our report thereon dated August 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CFCPO'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 CFCPO's internal control. Accordingly, we do not express an opinion on the effectiveness of the CFCPO'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the CFCPO'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 CFCPO'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 CFCPO'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 CFCPO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PYA, P.C.

Tampa, Florida
August 24, 2020