

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

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH
CENTER HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
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JUNE 30, 2021 AND 2020**

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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 years ended June 30, 2021 and 2020, 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 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 audits 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.

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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, 2021 and 2020, 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.

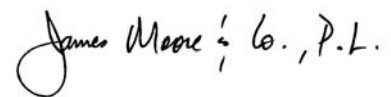
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, 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 27, 2021, 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.



Gainesville, Florida
October 27, 2021

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

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 years ended June 30, 2021 and 2020, 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 fiscal year 2015-2016 the financial model transitioned from a full risk clinical model to a Management Services Organization model (MSO) serving different stakeholders across FIU. At that time the FIU-HCN new leadership assumed a loan with a debt balance of \$8.6 million. As a result of the change in financial model, 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 from the Herbert Wertheim College of Medicine (HWCOM) clinics are recorded under the books of the HWCOM. In the MSO model, the revenues of FIU-HCN are based on management fees which derive from managing the HWCOM clinics, the HWCOM Office of International Affairs (HWCOM OIA), the FIU Student Health Clinics and Pharmacy, Embrace, CCF credentialing and the leases of the Ambulatory Care Surgery Center (ASC) to Miami Children's Hospital (currently Nicklaus Children's Hospital) and Gastro Health. The Embrace agreement ended in January 2020 and the Pharmacy closed in June 2021.

The revenues and expenses reported include the revenues and expenses of the HCN MSO line of business and HWCOM OIA and the expenses of the HWCOM Clinics. The revenues and expenses of the HWCOM OIA and expenses of the HWCOM clinics are passed through the books of HCN as part of the management service. Both are stakeholders of FIU-HCN as units it manages.

The payment from HWCOM for the expenses of the clinics is reported as part of "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 HWCOM.

The change in net position of the HWCOM OIA program gets transferred to HWCOM. As a result, the reported change in 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 HWCOM 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 in FY2021 totaled approximately \$11.6 million as of June 30, 2021; an increase of approximately \$2.2 million from June 30, 2020, resulting primarily from the cash and receivables from management fees under the MSO line of business and cash and receivables from the educational program under the HWCOM Office of International Affairs (OIA) line of business. Approximately \$2.3 million under total assets in fiscal year 2021 belong to the operations of the HWCOM OIA program. Total cash sent to HWCOM net of expenses from their OIA program during the fiscal year 2021 amounted to \$2.7 million.

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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 HWCOT OIA program and the debt due to the Florida International University (FIU or FIU proper). Liabilities totaled approximately \$9 million as of June 30, 2021, an increase of approximately \$132 thousand over prior fiscal year driven by payables to HWCOT from the OIA program net income. Liabilities related to the HWCOT OIA program amounted to approximately \$1.8 million as of June 30, 2021.

The FIU-HCN's operating revenues totaled approximately \$11.2 million for the 2021 fiscal year, an approximate increase of \$942 thousand over prior fiscal year and exceeding budget by \$1.1 million. Most of this increase is driven by higher volumes in the OIA program resulting from the ability to open remote learning programs during the COVID-19 pandemic.

Included in the \$11.2 million operating revenues are: (a) Management fee service revenue of the MSO totaling approximately \$3.1 million. (2) The HWCOT OIA educational program revenue and other OIA revenues deriving from registration, change and cancellation fees totaling approximately \$6.0 million. (3) Revenues related to the HWCOT clinics (the payments from HWCOT to cover the cost of operating the HWCOT clinical sites) totaling approximately \$1.3 million reported as part of "other revenues". (4) The rental revenue which includes CAM revenue amounting to approximately \$0.68 million deriving from the Miami Children's Hospital (currently Nicklaus Children's Hospital) 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 \$5.7 million for the 2021 fiscal year, an increase of approximately \$285 thousand over the prior fiscal year. This is mainly driven by the increase in contracted services in the HWCOT OIA program deriving from the increase in student rotations due to the remote program offerings during the COVID-19 pandemic. Non-operating expenses include the net of SPIA (State Treasury Special Purpose Investment Account) investment earnings totaling \$5 thousand, the interest expense on the debt payments to FIU proper totaling approximately \$141 thousand and the total recorded transfers from the OIA program to HWCOT related to the fiscal year 2021 net income totaling approximately \$3.2 million.

FINANCIAL HIGHLIGHTS – PRIOR YEAR

In FY2020 the FIU-HCN assets totaled approximately \$9.4 million as of June 30, 2020; an approximate increase of \$750 thousand from June 30, 2019, resulting primarily from the increase in cash deriving from management fees under the MSO line of business and receivables related to the educational program revenue under the HWCOT OIA line of business. Approximately \$1.8 million under total assets in fiscal year 2020 belong to the operations of the HWCOT OIA program. Total cash sent to HWCOT during the fiscal year 2020 amounted to \$3.2 million as compared to \$1.8 million in fiscal year 2019.

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 HWCOT OIA program and the debt due to the Florida International University (FIU or FIU proper). Liabilities totaled approximately \$8.8 million as of June 30, 2020, a decrease of approximately \$1.1 million over prior fiscal year. The decrease is driven by payments towards the debt due to FIU, the decrease in unearned revenues for the International Visiting Medical Student program (IVMS) under OIA deriving from lower pre-paid registration due to the impact of the COVID-19 pandemic. Also driving the decrease in liabilities is the payment of the transfers due to HWCOT from the OIA program net income. Liabilities related to the HWCOT OIA program amounted to approximately \$1.3 million as of June 30, 2020.

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The FIU-HCN's operating revenues totaled approximately \$10.2 million for the 2020 fiscal year, an approximate increase of \$250 thousand over prior fiscal year. While the OIA rotation volumes remained consistent, most of this increase is driven by higher revenues in the OIA program attributed to higher rates in a successfully negotiated ten-year AUA agreement which started in October 2018.

Included in the \$10.2 million operating revenues are: (a) Management fee service revenue of the MSO totaling approximately \$2.9 million. (2) The HWCOT OIA educational program revenue and other OIA revenues deriving from registration, change and cancellation fees totaling approximately \$5.2 million. (3) Revenues related to the HWCOT clinics (the payments from HWCOT to cover the cost of operating the HWCOT clinical sites) totaling approximately \$1.4 million reported as part of "other revenues". (4) The rental revenue which includes CAM revenue amounting to approximately \$0.67 million deriving from the Miami Children's Hospital (currently Nicklaus Children's Hospital) 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 \$5.5 million for the 2020 fiscal year, a decrease of approximately \$300 thousand over the prior fiscal year. This is mainly driven by the decrease in personnel services and related salary and benefits expense which derives from vacancies due to turnover during the fiscal year. Also driving the decrease in operating expenses is the decrease in contracted services in the HWCOT OIA preceptor rotations with the transition to remote learning during the fourth quarter due to the impact of the COVID-19 pandemic. Non-operating expenses include the interest expense on the debt payments to FIU proper totaling approximately \$148 thousand and the total recorded transfers for HWCOT related to the fiscal year 2020 net income of the HWCOT OIA program totaling approximately \$2.8 million.

FINANCIAL HIGHLIGHTS – FISCAL YEAR 2019

In fiscal year 2019 the FIU-HCN assets totaled approximately \$8.7 million as of 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 HWCOT OIA line of business. Approximately \$2.6 million under total assets in fiscal year 2019 belong to the operations of the HWCOT 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 HWCOT OIA program and the debt due to the Florida International University (FIU or FIU proper). Liabilities totaled approximately \$10.0 million as of 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 (currently Nicklaus 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. Effective June 30, 2019, the current CAM activity has been reclassified to align to revenues and expenses. Liabilities related to the HWCOT OIA program amounted to approximately \$2.0 million.

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 HWCOT OIA program. Included in the \$10 million are: (a) Management fee service revenue of the MSO totaling approximately \$2.9 million. (2) The HWCOT OIA educational program and other HWCOT OIA revenues deriving from registration, change and cancellation fees amounting to approximately \$5.0 million. (3) Revenues related to the HWCOT clinics

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(the payments from HWCOCM to cover the cost of operating the HWCOCM 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 (currently Nicklaus 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 previous 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 HWCOCM 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 HWCOCM related to the net profits of the HWCOCM OIA program for the fiscal year totaling approximately \$2.3 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 as of June 30:

Condensed Statements of Net Position as of June 30 (In Thousands)

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-------------------------------|------------------|-----------------|-------------------|
| Assets | | | |
| Current assets | \$ 10,598 | \$ 9,322 | \$ 8,511 |
| Noncurrent assets (1) | 1,033 | 90 | 151 |
| Total Assets | <u>\$ 11,631</u> | <u>\$ 9,412</u> | <u>\$ 8,662</u> |
| Liabilities | | | |
| Current liabilities (2) | \$ 8,969 | \$ 2,140 | \$ 2,916 |
| Noncurrent liabilities (2) | - | 6,697 | 7,048 |
| Total Liabilities | <u>\$ 8,969</u> | <u>\$ 8,837</u> | <u>\$ 9,964</u> |
| Net Position | | | |
| Investment in capital assets | \$ 31 | \$ 90 | \$ 151 |
| Unrestricted | 2,631 | 485 | (1,453) |
| Total Net Position (3) | <u>\$ 2,662</u> | <u>\$ 575</u> | <u>\$ (1,302)</u> |

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- (1) Noncurrent assets include a balance in SPIA (State Treasury Special Purpose Investment Account) of approximately \$1.0 million as of June 30, 2021*
- (2) Increase in current liabilities is a result of the change in maturity for the loan due to FIU Proper which originated in 2015. During the FIU-HCN Board of Directors meeting on May 19, 2021, the HCN Board approved to pay off the loan balance on July 1, 2021. This resulted in the reclassification of the full amount of the loan from non-current liabilities to current liabilities.*
- (3) As of June 30, 2021, approximately \$522 thousand in net position is reserved for the operations of the Office of International Affairs program and \$872 thousand is reserved for future common area maintenance (CAM) expenses. Net position ended in a positive balance in fiscal year 2020 for the first time since the year following the FIU-HCN business inception.*

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

In fiscal year 2021 assets increased by approximately \$2.2 million. This includes non-current capital assets net of depreciation. The increase derives primarily from the net increase in cash and receivables from management fees under the MSO line of business; \$1.7 million and the HWCOCM Office of International Affairs (OIA) line of business; \$0.5 million. The increase was offset by a \$59 thousand reduction in net depreciable capital assets. Total liabilities increased by approximately \$132 thousand resulting from the increase in payables due to HWCOCM from the OIA program net income.

Net Position ended at \$2.7 million, an increase of approximately \$2.1 million over prior fiscal year deriving primarily from the management fee revenues under the MSO line of business. Approximately \$522 thousand of the total net position is reserved for the operations of the HWCOCM OIA program and \$872 thousand is reserved for future CAM expenses.

In fiscal year 2020, total assets increased by approximately \$750 thousand. This includes non-current capital assets net of depreciation which decreased in fiscal year 2020 by approximately \$61 thousand due to depreciation expense. Total liabilities decreased by approximately \$1.1 million resulting from the decrease in accounts payable, the payment towards the debt due to FIU and the decrease in unearned revenue for the OIA program deriving from the pre-paid rotations. The decrease in pre-paid rotations is a result of the impact of the COVID-19 pandemic on international travel during the fourth quarter of the fiscal year 2020.

Fiscal year 2020 marked an important financial milestone for the FIU-HCN leadership. Since fiscal year 2015-2016, FIU-HCN has successfully ended profitable year after year. This culminated in a successful turnaround for the FIU-HCN where the net position transitioned from a negative (\$1.3) million net position to a positive net position totaling approximately \$576 thousand as of June 30, 2020, an increase of \$1.9 million over prior fiscal year. The increase derives mainly from the management fee revenues under the MSO line of business. Approximately \$522 thousand of the total net position in the fiscal year 2020 is reserved for the operations of the HWCOCM OIA program and \$756 thousand is reserved for future CAM expenses.

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In fiscal year 2019, total assets increased by approximately \$1.8 million. This includes non-current capital assets net of depreciation that 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.

Fiscal year 2019 total net position negative balance of \$1.3 million is driven by the loan balance due to FIU Proper for the loan dating back to 2015.

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, HWCOM OIA educational program revenue and rental income. The management fee service revenues derive from the management of the HWCOM clinics, the HWCOM Office of International Affairs (HWCOM 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 (currently Nicklaus Children's Hospital) and to Gastro Health. The Embrace agreement ended in January 2020 and the Pharmacy closed in June 2021.

Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

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>2021</u> | <u>2020</u> | <u>2019</u> |
|----------------------------------------------|-----------------|----------------|-------------------|
| Operating revenues | \$ 11,170 | \$ 10,227 | \$ 9,977 |
| Operating expenses | <u>5,736</u> | <u>5,451</u> | <u>5,750</u> |
| Operating Gain | 5,434 | 4,776 | 4,227 |
| Non-operating revenue and expenses – net (1) | (136) | (148) | (154) |
| Transfers to the University | <u>(3,211)</u> | <u>(2,751)</u> | <u>(2,254)</u> |
| Change in Net Position | 2,087 | 1,877 | 1,819 |
| Net Position , beginning of year (2) | <u>575</u> | <u>(1,302)</u> | <u>(3,121)</u> |
| Net Position , end of year | <u>\$ 2,662</u> | <u>\$ 575</u> | <u>\$ (1,302)</u> |

(1) *Non -operating revenue and expenses reflect the net of the interest expense on the loan from FIU and the net investment earnings from SPIA (State Treasury Special Purpose Investment Account) beginning in FY2021.*

(2) *The reclassification of the CAM during fiscal year 2019 resulted in an adjustment of the beginning net position during that fiscal year.*

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Operating Revenues

The FIU-HCN categorizes revenues as either operating or non-operating. Operating revenues are derived mainly from management fees, educational programs under the HWCOC Office of International Affairs (OIA), 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.

Operating Revenues (In Thousands)

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---------------------------------|------------------|------------------|-----------------|
| Management fees | \$ 3,067 | \$ 2,944 | \$ 2,892 |
| Educational program | 5,550 | 4,820 | 4,617 |
| Rental revenue | 507 | 505 | 496 |
| Rental revenue – (Common Area | 172 | 167 | 163 |
| Other revenues | 1,874 | 1,791 | 1,809 |
| Total Operating Revenues | <u>\$ 11,170</u> | <u>\$ 10,227</u> | <u>\$ 9,977</u> |

The management fees derive from the management of the HWCOC clinics where the faculty physicians of HWCOC provide services to patients of the local community, the HWCOC 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, other OIA international programs with global affiliates, the management of the Student Health Clinics and pharmacy and Embrace. The Embrace agreement ended in January 2020 and the pharmacy closed in June 2021.

The clinical services are provided by the faculty physicians, and they consist of Family Medicine, Internal Medicine, Gynecology, Dermatology, clinical Oncology, Psychiatry and Behavioral Health. These providers operate in various clinical sites: the Ambulatory Care Center (ACC) in the Modesto A. Maidique Campus, Broward and in the three mobile health clinics. The Broward clinic closed in July 2021 and its operations were consolidated at the ACC clinic. Patient revenues are not reported above since they are recorded directly on the books of HWCOC along with respective patient accounts receivable. The revenue reported for the clinics under FIU-HCN is part of “other revenues” and it represents the payments for the clinics’ operating expenses that are paid by HWCOC to the FIU-HCN.

The educational program revenue under HWCOC OIA is derived from the pre-clinical 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.

Rental revenue is generated from the leases at the Ambulatory Care Center (ACC) to Gastro Health and to the Miami Children’s Hospital (currently Nicklaus Children’s Hospital) on the second floor operating as an Ambulatory Surgical Center which opened in April of 2015. Effective in fiscal year 2019, the CAM received with the rent payment from the Nicklaus Children’s Hospital gets recognized as revenue whereas in prior periods it was recorded as a liability for future CAM expenses.

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Other Revenues derive from other fees in the OIA line of business which include change fees, application, and cancellation fees and from the payments from HWCOT to FIU-HCN to cover the operating expenses passed through FIU-HCN for their clinic. The increase is mostly driven by other revenue in the OIA line of business.

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.

Operating Expenses (In Thousands)

| | 2021 | 2020 | 2019 |
|-------------------------------------------------|-----------------|-----------------|-----------------|
| Contractual personnel services (1) | \$ 2,285 | \$ 2,270 | \$ 2,337 |
| Contracted professional and consulting services | 2,626 | 2,295 | 2,496 |
| Rentals and leases | 77 | 120 | 119 |
| Common area maintenance expenses | 66 | 35 | 42 |
| Other operating | 397 | 404 | 420 |
| Depreciation | 59 | 61 | 63 |
| Supplies - medical | 128 | 140 | 119 |
| Utilities | 48 | 46 | 42 |
| Repairs and maintenance | 4 | 6 | 9 |
| Advertising and promotion | 25 | 26 | 41 |
| Insurance (2) | - | 29 | 23 |
| Supplies - other | 21 | 19 | 39 |
| Total Operating Expenses | \$ 5,736 | \$ 5,451 | \$ 5,750 |

(1) Contractual personnel services represent salaries and benefits expenses.

(2) Insurance under prior fiscal years represented the content insurance at the Broward clinic and the additional coverage for the FIU-HCN Directors and Officers (D&O) insurance. The Broward clinic closed in July 2021. The D&O insurance for FIU-HCN continues to be covered under the University's policy and no additional limits are purchased by FIU HCN.

Fiscal year 2021 operating expenses totaled approximately \$5.7 million: an increase of approximately \$285 thousand from the previous fiscal year. The increase is mainly due to the increase in contracted professional and consulting services in the HWCOT OIA programs resulting from the increase in the preceptor rotations which increased commensurate with student rotation volumes deriving from the remote learning programs that began during the start of the COVID-19 pandemic.

Prior fiscal year 2020 operating expenses totaled approximately \$5.5 million; a decrease of approximately \$300 thousand from the previous fiscal year 2019 mainly due to: (a) Lower salary and benefits expense under contractual personnel services resulting from vacancies and the use of temporary personnel in place of regular full time positions (b) Lower HWCOT OIA contracted professional services expense for preceptor rotations brought by the transition to remote learning in the HWCOT OIA line of business as a

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result of the impact of the COVID-19 pandemic coupled with savings from the negotiated lower rates for preceptor remote teaching.

Fiscal year 2019 operating expenses totaled approximately \$5.8 million primarily deriving from personnel salary and benefits and the HWCOT OIA contracted services for preceptor rotations brought by the volume of rotations under the HWCOT OIA programs.

Non-Operating Revenue and 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 and the net earnings from the investments with SPIA (State Treasury Special Purpose Investment Account).

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

Non-Operating Revenues (Expenses) (In Thousands)

| | 2021 | 2020 | 2019 |
|-------------------------------------------|-----------------|-----------------|-----------------|
| Interest Expense | \$ (141) | \$ (148) | \$ (154) |
| Other Income (SPIA) | 5 | - | - |
| Non-Operating Revenue and Expenses | \$ (136) | \$ (148) | \$ (154) |

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 2021-2022, FIU-HCN revenues will continue to derive from management fees related to HWCOT 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, credentialing services to CCF and the leases from Nicklaus Children’s Hospital and Gastro Health.

In fiscal year 2022 the management service revenue from HWCOT to manage the clinics is projected to continue as a flat fee and reported as management revenue under the MSO line of business. The cost reimbursement from HWCOT for the clinic’s operating expenses will continue to be reported as Other Revenue to offset the expenses under the Clinics line of business thus bringing it to a change in net position of zero representing the pass-through in the books of the FIU-HCN. The operating expenses of the HWCOT 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 HWCOT and it will continue to be reported under the books of the HWCOT outside of the HCN entity books.

In the new fiscal year 2022 the HCN MSO will continue as a self-sustained financial model absorbing the expenses aligned to the MSO. FIU-HCN begins FY 2022 free of debt having paid the loan to FIU assigned in 2015.

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The COVID-19 Pandemic has extended into FY 2022 caused by the delta variant that originated in April 2021. Both operations and delivery of services will continue to adapt to the changes originally caused by the Pandemic.

The COVID-19 Pandemic impacted international travel by banning travel for some of the global partners. Later in the FY 2021, limited travel began. However, with the delta variant wave, countries once again curtailed travel. In addition, vaccine mandates to travel made it challenging for students to attend rotations as planned. As the COVID Pandemic begins to subside globally, there is a potential of increased volumes of the International Visiting Medical Students (IVMS). In addition, other global partners may continue to accept remote rotations. The international program will remain profitable through FY 2022. FIU-HCN will increase revenue from increased volumes and out of contract rotations.

FIU-HCN proposes to re-introduce the revenue cycle plan to student health clinics in FY 2022. With the implementation of billing at Student Health Clinic, the clinics will increase utilization and its fee for service revenue. This may expand areas for FIU-HCN to manage beyond the clinic operations. The plan was presented to FIU leadership prior to the start of the COVID-19 Pandemic. However, due to pandemic, it was placed on hold.

Clinical services at the ACC will be assessed by HWCOCM new leadership in collaboration with FIU-HCN to align to the vision of its new leadership. The goal may include different service lines that can help support growth. These new services may increase total net revenue for HWCOCM. FIU-HCN may benefit by the management of greater volumes and potentially higher net revenue.

Other potential new revenue sources include new FIU stakeholders utilizing FIU-HCN MSO services and increase in lease revenues. In summary, FIU-HCN is projecting a good outlook for FIU-HCN in FY 2021-2022 through increase revenue and enhanced efficiencies.

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 8th Street, Miami, Florida 33199.

**THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020**

| | 2021 | 2020 |
|--------------------------------------------------|----------------------|---------------------|
| <u>ASSETS</u> | | |
| Current assets | | |
| Cash and cash equivalents | \$ 9,683,127 | \$ 8,323,814 |
| Education program receivable | 600,035 | 564,023 |
| Management fee receivable | 292,185 | 300,514 |
| Rent receivable | 19,806 | 121,144 |
| Other receivables | 2,369 | - |
| Prepaid expenses | - | 12,653 |
| Total current assets | 10,597,522 | 9,322,148 |
| Noncurrent assets | | |
| Depreciable capital assets, net | 31,232 | 90,411 |
| Investments | 1,002,687 | - |
| Total noncurrent assets | 1,033,919 | 90,411 |
| Total assets | \$ 11,631,441 | \$ 9,412,559 |
| <u>LIABILITIES</u> | | |
| Current liabilities | | |
| Accounts payable | \$ 399,280 | \$ 403,609 |
| Due to Florida International University | 1,386,645 | 892,078 |
| Note Payable to Florida International University | 6,697,216 | 351,033 |
| Unearned revenue | 485,475 | 493,089 |
| Total current liabilities | 8,968,616 | 2,139,809 |
| Noncurrent liabilities | | |
| Note Payable to Florida International University | - | 6,697,216 |
| Total liabilities | \$ 8,968,616 | \$ 8,837,025 |
| <u>NET POSITION</u> | | |
| Net position | | |
| Net investment in capital assets | \$ 31,232 | \$ 90,411 |
| Unrestricted (see note 8) | 2,631,593 | 485,123 |
| Total net position | \$ 2,662,825 | \$ 575,534 |

The accompanying notes are an integral part
of these financial statements.

**THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

| | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------|---------------------|-------------------|
| Operating revenues | | |
| Management fee revenue | \$ 3,067,442 | \$ 2,944,431 |
| Educational program | 5,550,270 | 4,820,309 |
| Rental revenue | 506,320 | 504,307 |
| Rental revenue - common area maintenance | 171,852 | 166,895 |
| Other revenue | 1,873,898 | 1,791,413 |
| Total operating revenues | <u>11,169,782</u> | <u>10,227,355</u> |
| Operating expenses | | |
| Contractual personnel services | 2,284,797 | 2,270,499 |
| Contracted professional consulting services | 2,626,155 | 2,294,843 |
| Rentals and leases | 76,733 | 120,320 |
| Common area maintenance expenses | 66,108 | 34,551 |
| Software licensing fees | 343,570 | 329,998 |
| Other operating | 53,916 | 73,649 |
| Depreciation | 59,179 | 60,864 |
| Supplies - medical | 127,788 | 139,961 |
| Utilities | 47,728 | 45,556 |
| Repairs and maintenance | 4,058 | 6,424 |
| Advertising and promotion | 24,917 | 26,375 |
| Insurance | - | 28,490 |
| Supplies - other | 20,592 | 19,084 |
| Total operating expenses | <u>5,735,541</u> | <u>5,450,614</u> |
| Operating income | <u>5,434,241</u> | <u>4,776,741</u> |
| Nonoperating income (expenses) | | |
| Other income | 5,056 | - |
| Interest expense | (140,965) | (147,753) |
| Total nonoperating income (expenses) | <u>(135,909)</u> | <u>(147,753)</u> |
| Income before transfers | <u>5,298,332</u> | <u>4,628,988</u> |
| Transfers to Florida International University | (3,211,041) | (2,750,928) |
| Change in net position | <u>2,087,291</u> | <u>1,878,060</u> |
| Net position, beginning of year | 575,534 | (1,302,526) |
| Net position, end of year | <u>\$ 2,662,825</u> | <u>\$ 575,534</u> |

The accompanying notes are an integral part
of these financial statements.

**THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

| | 2021 | 2020 |
|--------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Cash flows from operating activities | | |
| Receipts from management fee revenue | \$ 3,075,771 | \$ 2,795,262 |
| Receipts from educational program revenue | 5,506,644 | 3,951,244 |
| Receipts from rent and other revenue | 2,653,408 | 2,343,728 |
| Payments to suppliers for goods and services | (5,670,407) | (5,868,180) |
| Net cash and cash equivalents provided by operating activities | 5,565,416 | 3,222,054 |
| Cash flows from noncapital financing activities | | |
| Transfer from Florida International University | 494,567 | - |
| Transfer to Florida International University | (3,562,074) | (3,090,302) |
| Interest paid to Florida International University | (140,965) | (147,753) |
| Net cash and cash equivalents used in noncapital financing activities | (3,208,472) | (3,238,055) |
| Cash flows from investing activities | | |
| Purchase of investments | (1,021,377) | - |
| Interest income received | 23,746 | - |
| Net cash and cash equivalents used in investing activities | (997,631) | - |
| Net change in cash and cash equivalents | 1,359,313 | (16,001) |
| Cash and cash equivalents, beginning of year | 8,323,814 | 8,339,815 |
| Cash and cash equivalents, end of year | \$ 9,683,127 | \$ 8,323,814 |
| Reconciliation of operating income to net cash and cash equivalents provided by operating activities: | | |
| Operating income | \$ 5,434,241 | \$ 4,776,741 |
| Depreciation | 59,179 | 60,864 |
| Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities: | | |
| (Increase) decrease in rent receivable | 101,338 | (118,887) |
| (Increase) decrease in management fee receivable | 8,329 | (149,169) |
| Increase in education program receivable | (36,012) | (564,023) |
| Decrease in prepaid expenses | 10,284 | 4,550 |
| Decrease in accounts payable | (4,329) | (482,980) |
| Decrease in unearned revenue | (7,614) | (305,042) |
| Net cash and cash equivalents provided by operating activities | \$ 5,565,416 | \$ 3,222,054 |

The accompanying notes are an integral part
of these financial statements.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

(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 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, and CCF. 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 are insured or collateralized.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

(e) **Investments and fair value measurements**— Funds are invested in the Special Purpose Investment Account (“SPIA”) within the Florida Treasury Investment Pool (“FTIP”). This is a pool of investments whereby FIU HCN owns a share of the pool, not the underlying securities.

Investments are recorded at fair value. Interest, dividends, and gains and losses on investments, both realized and unrealized, are included in net investment income on the statements of revenues, expenses and changes in net position.

FIU HCN categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs (see Note 2).

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

(g) **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.

(h) **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, 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), CCF credentialing services, and the subleases to Nicklaus 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.

(i) **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.

(j) **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 years ended June 30, 2021 and 2020. Management is not aware of any activities that would jeopardize the FIU HCN tax exempt status. The FIU HCN is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years for the past three years remain subject to examination by taxing authorities.

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

(k) **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 years beginning after June 15, 2021.

(l) **Reclassifications**—Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on net position.

(2) **Investments:**

Investments are comprised of funds invested in the SPIA within the FTIP. Funds within the FTIP are subject to various risks including credit risk and interest rate risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This risk can be evaluated based on the rating assigned to an issuer or other counterparty by an independent rating agency. Interest rate risk is the risk that arises for holders of fixed income securities due to fluctuations in interest rates. This risk increases as the time to maturity or duration of these securities increase. The FTIP is not exposed to foreign currency risk as State law and investment policy do not authorize the FTIP to purchase investments in foreign currencies.

FIU HCN reported investments in SPIA at fair value totaling \$1,002,687 and \$0 at June 30, 2021 and 2020, respectively, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. As of June 30, 2021, the SPIA carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.60 years and a fair value factor of 0.9840. As of June 30, 2020, the SPIA carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 0.43 years and a fair value factor of 1.0291.

Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. FIU HCN relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

The fair value of FIU HCN's investment in the SPIA is measured on a recurring basis, which is valued based on FIU HCN's share of the pool, using significant unobservable inputs (Level 3), as of June 30, 2021 and 2020.

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HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
NOTES TO FINANCIAL STATEMENTS
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(3) Educational Program:

Effective October 1, 2013, an agreement was executed by HWCOM on behalf of the FIU HCN with the AUA that allows for the opportunity for qualified AUA students to participate in a HWCOM 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 HWCOM, 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, 2021, total revenues earned under the terms of the agreements approximated \$7,169,000, composed of \$1,880,000 in management fee revenue and \$5,289,000 in educational program revenue. For the year ended June 30, 2020, total revenues earned under the terms of the agreements approximated \$5,605,000, composed of \$1,895,000 in management fee revenue and \$3,710,000 in educational program revenue.

(4) Depreciable Capital Assets:

A summary of depreciable capital assets is as follows:

| | Balance July 1, 2020 | Additions | Disposals | Balance June 30, 2021 |
|---------------------------------|---------------------------------|--------------------|------------------|----------------------------------|
| Medical equipment | \$ 551,669 | \$ - | \$ - | \$ 551,669 |
| Accumulated depreciation | (461,258) | (59,179) | - | (520,437) |
| Depreciable capital assets, net | <u>\$ 90,411</u> | <u>\$ (59,179)</u> | <u>\$ -</u> | <u>\$ 31,232</u> |
| | Balance July 1, 2019 | Additions | Disposals | Balance June 30, 2020 |
| Medical equipment | \$ 551,669 | \$ - | \$ - | \$ 551,669 |
| Accumulated depreciation | (400,394) | (60,864) | - | (461,258) |
| Depreciable capital assets, net | <u>\$ 151,275</u> | <u>\$ (60,864)</u> | <u>\$ -</u> | <u>\$ 90,411</u> |

The above balance includes \$0 and \$21,277 of net depreciable capital assets that were idle during the year ended June 30, 2021 and 2020, respectively.

**THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS
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(5) 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, and \$297,112 of accrued interest was added into the loan balance, bringing the total loan to a balance of \$8,633,962. Interest on the loan accrues at 2.00% simple interest and the loan was scheduled to mature in 2036. At the May 2021 Board of Directors meeting, the Board voted to retire the loan with FIU effective July 1, 2021. As a result, the remaining principal balance of \$6,697,216 was classified as a short-term liability by FIU HCN as of June 30, 2021.

In addition, at June 30, 2021 and 2020, \$1,386,645 and \$892,078, respectively, was owed to FIU for expenses incurred in the ordinary course of business and is included in accounts payable on the statements 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, 2021 and 2020, totaled \$387,861 and \$139,509, respectively.

(6) 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 years ended June 30, 2021 and 2020, rent expense under this agreement amounted to \$1 per year.

Furthermore, certain space within this facility was subleased with rental income of \$506,320 and \$504,307 and common area maintenance income of \$171,852 and \$166,895 for the years ended June 30, 2021 and 2020, respectively. 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:

| Fiscal Year Ending June 30 | Rent | Common Area Maintenance | Amount |
|---------------------------------------|---------------------|------------------------------------|---------------------|
| 2022 | \$ 506,320 | \$ 171,852 | \$ 678,172 |
| 2023 | 506,320 | 171,852 | 678,172 |
| 2024 | 506,320 | 171,852 | 678,172 |
| 2025 | 506,320 | 171,852 | 678,172 |
| 2026 | 506,320 | 171,852 | 678,172 |
| Thereafter | 4,430,300 | 1,503,705 | 5,934,005 |
| Total future minimum rentals | <u>\$ 6,961,900</u> | <u>\$ 2,362,965</u> | <u>\$ 9,324,865</u> |

The FIU HCN leases equipment and building occupancy on a month-to-month basis. Total rental expense for the years ended June 30, 2021 and 2020 was \$76,733 and \$120,320, respectively. The FIU HCN lease agreement for the Broward clinic ended February 2021.

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NOTES TO FINANCIAL STATEMENTS
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(7) 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.

(8) Unrestricted Net Position:

The FIU HCN has designated certain components of current and future unrestricted net position for certain purposes.

Unrestricted net position is classified as follows at June 30, 2021:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Designated | |
| Common area maintenance | \$ 871,883 |
| Office of International Affairs | 522,325 |
| Total designated | <u>1,394,208</u> |
| Undesignated | |
| 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)] | |
| | <u>1,237,385</u> |
| Total unrestricted net position | <u><u>\$ 2,631,593</u></u> |

Unrestricted net position is classified as follows at June 30, 2020:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Designated | |
| Common area maintenance | \$ 766,139 |
| Office of International Affairs | 522,325 |
| Total designated | <u>1,288,464</u> |
| Undesignated | |
| 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)] | |
| | <u>(803,341)</u> |
| Total unrestricted net position | <u><u>\$ 485,123</u></u> |

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, 2021, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2021.

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) as a basis for designing 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.

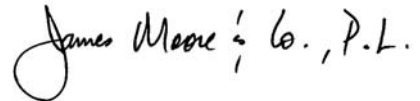
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given 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 financial statements. 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" and a stylized "M".

Gainesville, Florida
October 27, 2021