

**HEART OF FLORIDA HEALTH CENTER, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016 AND 2015**

**HEART OF FLORIDA HEALTH CENTER, INC.**  
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**SEPTEMBER 30, 2016 AND 2015**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors,  
Heart of Florida Health Center, Inc.:

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

We have audited the accompanying financial statements of Heart of Florida Health Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, the related statements of cash flows for the years then ended, the accompanying statements of activity and functional expenses for the year ended September 30, 2016, and the related notes to the financial statements.

### ***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.

### ***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 Heart of Florida Health Center, Inc., as of September 30, 2016 and 2015, the changes in its cash flows for the years then ended, and the change in its net assets and functional expenses for the year ended September 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Report on Summarized Comparative Information**

We have previously audited Heart of Florida Health Center, Inc.'s September 30, 2015, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 13, 2017. In our opinion, the summarized comparative information presented herein for the statements of activity and functional expenses for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2017 on our consideration of Heart of Florida Health Center, Inc.'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 the 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 Heart of Florida Health Center, Inc.'s internal control over financial reporting and compliance.



Gainesville, Florida  
March 13, 2017

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 956,365	\$ 810,714
Restricted cash and cash equivalents	2,000	1,000
Total cash and cash equivalents	958,365	811,714
Certificates of deposit	2,501,583	2,502,319
Patient receivables, net of allowance for doubtful accounts of \$1,214,986 and \$1,056,103 in 2016 and 2015, respectively	819,039	742,484
Other receivables	45,512	37,442
Grant receivable	-	302,733
Prepaid expenses and other assets	14,239	96,131
Total current assets	4,338,738	4,492,823
<b>Property and equipment, net</b>	<b>2,501,775</b>	<b>2,360,730</b>
<b>Other assets</b>		
Intangible assets, net	188,596	199,247
Deposits	10,745	7,863
Total other assets	199,341	207,110
<b>Total Assets</b>	<b>\$ 7,039,854</b>	<b>\$ 7,060,663</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 344,181	\$ 440,770
Accrued expenses	718,093	463,603
Deferred revenue	109,997	298,552
Total current liabilities	1,172,271	1,202,925
<b>Net Assets</b>		
Temporarily restricted	2,000	1,000
Unrestricted, undesignated	3,825,583	5,816,738
Unrestricted, designated	2,040,000	40,000
Total net assets	5,867,583	5,857,738
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,039,854</b>	<b>\$ 7,060,663</b>

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

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**STATEMENT OF ACTIVITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	<b>2016</b>			<b>2015 Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	
<b>Revenue, gains and other support</b>				
Patient service revenue, net of contractual allowances and discounts	\$ 4,356,732	\$ -	\$ 4,356,732	\$ 3,078,096
Provision for bad debts	(158,883)	-	(158,883)	(185,312)
Net patient service revenue less provision for bad debts	4,197,849	-	4,197,849	2,892,784
Premium revenues - capitated services	918,319	-	918,319	830,463
Federal support	3,253,885	-	3,253,885	2,099,519
State grant	1,185,295	-	1,185,295	1,935,071
Local support	380,000	-	380,000	380,000
Other contracts and support	671,859	-	671,859	958,168
Contributions	2,565	2,000	4,565	2,250
In-kind donations	563,400	-	563,400	653,845
Interest income	12,390	-	12,390	4,935
Miscellaneous income	26,845	-	26,845	2,071
Gain on sale of other assets	152,368	-	152,368	-
Net assets released from restrictions	1,000	(1,000)	-	-
Total revenues, gains and other support	<u>11,365,775</u>	<u>1,000</u>	<u>11,366,775</u>	<u>9,759,106</u>
<b>Expenses and losses</b>				
Program services:				
Medical	7,071,715	-	7,071,715	4,385,416
Dental	1,002,415	-	1,002,415	608,055
Behavioral health	-	-	-	45,407
Patient support	1,250,757	-	1,250,757	955,785
Enabling services	158,834	-	158,834	280,533
Maternity	465,841	-	465,841	-
Supporting services:				
Administrative	1,304,639	-	1,304,639	1,896,783
Expenses before reimbursement	11,254,201	-	11,254,201	8,171,979
Electronic health records incentive reimbursement	-	-	-	(153,000)
Total expenses	11,254,201	-	11,254,201	8,018,979
Loss on disposal of property and equipment	102,729	-	102,729	29,777
Total expenses and losses	<u>11,356,930</u>	<u>-</u>	<u>11,356,930</u>	<u>8,048,756</u>
<b>Auxiliary activities - Measure Up Marion County</b>				
Federal support	1,462,267	-	1,462,267	867,674
Program expenses	(1,462,267)	-	(1,462,267)	(867,674)
	-	-	-	-
<b>Increase in net assets</b>	<u>8,845</u>	<u>1,000</u>	<u>9,845</u>	<u>1,710,350</u>
<b>Net assets, beginning of year</b>	5,856,738	1,000	5,857,738	4,147,388
<b>Net assets, end of year</b>	<u>\$ 5,865,583</u>	<u>\$ 2,000</u>	<u>\$ 5,867,583</u>	<u>\$ 5,857,738</u>

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

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	<u>Medical</u>	<u>Dental</u>	<u>Patient Support</u>	<u>Enabling Services</u>	<u>Maternity</u>	<u>Administrative</u>	<u>2016 Total</u>	<u>2015 Total</u>
Salaries and benefits	\$ 4,220,676	\$ 703,778	\$ 1,241,570	\$ 146,528	\$ 78,143	\$ 977,996	\$ 7,368,691	\$ 5,382,170
Bank fees	-	-	-	-	-	17,683	17,683	16,642
Community relations	-	-	-	3,267	-	1,071	4,338	8,259
Conferences/Seminars	5,349	1,470	-	-	-	1,775	8,594	429
Consulting/Contract fees	183,048	1,106	-	-	335,289	-	519,443	33,233
Depreciation and amortization	167,950	93,988	-	-	-	15,557	277,495	207,835
Dues and subscriptions	-	-	-	115	-	14,659	14,774	11,377
Electronic medical records and billing service	188,745	10,040	-	-	2,981	2,448	204,214	150,525
Insurance	59,143	14,259	5,845	690	-	16,488	96,425	77,636
IT support and expense	43,972	4,031	-	-	-	18,015	66,018	59,368
Janitorial	47,830	9,740	-	-	190	10,817	68,577	34,814
Laboratory fees	240,477	-	-	-	31,626	-	272,103	210,383
Lease expense	17,969	117	-	-	-	78,073	96,159	103,496
Licensing and credentialing	3,488	1,775	-	-	-	1,274	6,537	-
Medical and dental supplies	165,230	53,503	-	-	-	-	218,733	-
Other	-	-	-	-	-	-	-	5
Patient service and support	-	-	-	-	-	-	-	75
Postage	7,788	994	-	-	-	608	9,390	871
Pharmaceuticals	51,590	4,668	-	-	-	-	56,258	33,278
Professional fees	17,369	8,436	-	-	1,464	57,850	85,119	51,635
Promotional	56,148	7,424	-	6,379	1,734	450	72,135	25,061
Radiology	500,400	-	-	-	-	-	500,400	502,491
Recruiting and hiring	30,306	2,103	1,766	359	2,318	2,054	38,906	55,429
Repairs and maintenance	31,959	7,060	-	-	-	4,279	43,298	21,887
Small equipment	6,422	16,843	-	382	2,208	3,068	28,923	19,930
Supplies and office expense	51,431	7,141	83	1,114	9,768	55,900	125,437	241,017
Telephone and utility expense	350,888	42,372	-	-	-	4,147	397,407	173,669
Training	7,700	1,283	-	-	-	1,049	10,032	22,573
Travel	9,552	2,944	1,493	-	120	16,145	30,254	26,290
Utilities	42,885	7,340	-	-	-	3,233	53,458	47,754
In-kind expenses	563,400	-	-	-	-	-	563,400	653,847
	<u>\$ 7,071,715</u>	<u>\$ 1,002,415</u>	<u>\$ 1,250,757</u>	<u>\$ 158,834</u>	<u>\$ 465,841</u>	<u>\$ 1,304,639</u>	<u>\$ 11,254,201</u>	<u>\$ 8,171,979</u>

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

**HEART OF FLORIDA HEALTH CENTER, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 9,845	\$ 1,710,350
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization and depreciation	277,495	207,846
Loss on disposal of fixed assets	102,729	29,763
Gain on sale of other assets	(152,368)	-
(Increase) decrease in certain assets:		
Patient receivables	(76,555)	(440,580)
Grant receivable	302,733	39,368
Other receivables	(8,070)	252,157
Estimated third-party payor settlements receivable	-	130,104
Prepaid expenses and other assets	50,590	(18,042)
Deposits	(2,882)	-
Increase (decrease) in certain liabilities:		
Accounts payable	(96,589)	408,380
Accrued expenses	254,490	112,994
Deferred revenue	(188,555)	298,552
Net cash provided by operating activities	472,863	2,730,892
<b>Cash flows used by investing activities</b>		
Purchase of property and equipment	(510,618)	(1,609,234)
Purchase of intangible assets	-	(65,910)
Proceeds from sale of investments	184,406	-
Purchase of investments	-	(2,502,319)
Net cash used in investing activities	(326,212)	(4,177,463)
<b>Net increase (decrease) in cash and cash equivalents</b>	146,651	(1,446,571)
<b>Cash and cash equivalents, beginning of year</b>	811,714	2,258,285
<b>Cash and cash equivalents, end of year</b>	\$ 958,365	\$ 811,714

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

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

(a) **Organization**—Effective August 26, 2008, Community Health Services of Marion County, Inc. legally changed its name to Heart of Florida Health Center, Inc.

Heart of Florida Health Center, Inc. (the Organization) is a not-for-profit primary care provider offering medical services to Marion County residents, including residents who would not otherwise be able to access their services due to financial limitations and/or lack of insurance.

(b) **Basis of financial reporting**—The Organization’s financial statements have been prepared in accordance with generally accepted accounting principles as established by the Financial Accounting Standards Board.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization records all revenues and gains that are spent in the same fiscal year as unrestricted revenue. Any amounts not spent are recorded as either temporarily restricted or permanently restricted revenue if donor restrictions exist.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets*—Net assets that are not subject to donor-imposed restrictions. As of September 30, 2016, the Organization designated \$500,000 for renovation and repair to Organization facilities and \$1,540,000 for a future facility purchase.

*Temporarily restricted net assets*—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As of September 30, 2016 and 2015, there was \$2,000 and \$1,000 of temporarily restricted net assets, respectively.

*Permanently restricted net assets*—Net assets subject to donor-imposed stipulations that will not be met by either actions of the Organization or the passage of time. As of September 30, 2016 and 2015, there were no permanently restricted net assets.

(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 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) **Patient receivables**—Patient receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient receivables.

(e) **Other receivables**—Receivables are recorded by the Organization for funds to be received from various contracts or other sources as revenues are earned. An allowance for uncollectible receivables has not been recorded as all amounts are deemed collectible.

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

(f) **Grant receivable**—The grant receivable of the Organization is due from the Center for Disease Control and the State of Florida, Agency for Healthcare Administration at September 30, 2015. There is no grant receivable at September 30, 2016.

(g) **Other assets**—The Organization purchased 250 provider units in a Florida limited liability company (the LLC) at \$100 per unit. During 2013, the LLC reorganized its ownership structure and the 250 provider units were replaced by 1,082 class A units. During 2014, the Organization purchased an additional 494 class A units for \$33 per unit. Effective October 1, 2015, the LLC was sold to a separate Florida Corporation and all members of the LLC relinquished their units. The Organization’s units in the LLC were sold for an approximate gain of \$150,000.

(h) **Property and equipment**—The Organization capitalizes at cost, all expenditures for property and equipment in excess of \$1,000. Contributed assets are recorded at fair market value at the time received, if determinable. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets ranging from three to 27.5 years.

(i) **Third-party contractual adjustments**—Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements.

(j) **Net patient service revenue**—The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Organization’s uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the fiscal year from these major payor sources, is as follows:

**Patient Service Revenue, Net of Contractual Allowance and Discounts**

	<b>2016</b>	<b>2015</b>
Medicaid	\$ 2,579,160	\$ 1,458,586
Medicare	700,039	570,712
Self-Pay/Sliding fee	589,076	493,079
Private/Commercial	488,457	555,719
Total	\$ 4,356,732	\$ 3,078,096

Patient services rendered to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports. The cost reports are subject to audit and adjustment by Medicare. The Organization’s Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2014.

Revenue from the Medicaid and Medicare programs accounted for approximately 59% and 16%, respectively, of the Organization’s net patient revenue for the year ended September 30, 2016, and approximately 47% and 19%, respectively, of the Organization’s net patient revenue for the year ended September 30, 2015. Laws and regulations governing Medicare and Medicaid programs are

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. In 2016 and 2015, there is no material effect on net patient service revenue after final settlements with Medicare or Medicaid.

(k) **Premium revenues**—Capitation contracts between the Organization and third party payors obligate the Organization to provide service to specific patient lists. These revenues are premium revenues, not patient service revenues, because they are earned and paid monthly by agreeing to provide care, regardless of whether services are rendered. In accordance with FASB ASC 954-605-45-3, significant revenue earned under capitation arrangements are reported separately.

(l) **Charity care**—The Organization has a policy of providing charity care to patients who are unable to pay. Such patients are charged fees based upon a sliding fee schedule based upon poverty guidelines. Since management does not expect payment for charity care, the estimated charges are excluded from patient service revenues.

(m) **Functional allocation of expenses**—Certain costs have been directly allocated among the program and supporting services in order to report on a functional basis. To maintain accountability of program expenses and to comply with the Bureau of Common Reporting Requirements (BCRR), management has established the following functional cost centers; medical, dental, behavioral health, patient support, other enabling services, and administrative.

(n) **Income taxes**—The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income earned in the furtherance of the Organization's tax-exempt purpose is exempt from federal and state income taxes and the financial statements contain no provision or liability for income taxes. The Organization files income tax returns in the U.S. federal jurisdiction. The Organization's returns for the past three years are subject to examination by tax authorities and may change upon examination. The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

(o) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include only investments with original maturities of three months or less.

(p) **Intangible assets**—The Organization has patient-based intangible assets of \$213,048. The Organization is amortizing the assets over their estimated useful life of 20 years. Accumulated amortization related to the patient bases totaled \$24,452 and \$13,800 at September 30, 2016 and 2015, respectively. Amortization expense totaled \$10,652 and \$8,456 for the years ended September 30, 2016 and 2015, respectively. Amortization expense is expected to be approximately \$11,000 for the next five years.

(q) **In-kind contributions**—Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services and contributions are recorded at their estimated fair-market value when received by the Organization. For the fiscal year ending September 30, 2016, the Organization received pharmaceutical items that have been valued at \$275,450. For the fiscal year ending September 30, 2015, the Organization received pharmaceutical items, IT services, and other miscellaneous services that have been valued at \$103,338, \$180,000, and \$40,457, respectively.

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

Additionally, the Organization obtained the right for the use of medical and office space that is provided without charge to the Organization from Marion County and has been valued at \$287,950 and \$330,050 for the fiscal year ending September 30, 2016 and 2015, respectively.

(r) **Medical malpractice insurance**—The Organization has medical malpractice insurance through a commercial carrier. Any provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

(s) **Advertising**—Advertising costs are charged to operations when incurred. Advertising expenses totaled \$76,472 and \$33,321 for the years ended September 30, 2016 and 2015, respectively.

(t) **Comparative data**—The amounts shown for the year ended September 30, 2015, in the statements of activity and functional expenses are included to provide a basis for comparison with 2016 and present summarized totals only. Accordingly, the 2015 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

(u) **Electronic Health Records Incentive Reimbursement**—The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act ("HITECH"). These provisions were designed to increase the use of electronic health records ("EHR") technology and establish the requirements for a Medicare and Medicaid incentive payments program beginning in 2011 for eligible Organizations and providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology; but providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional incentive payments. Medicaid EHR incentive payments are fully funded by the federal government and administered by the states; however, the states are not required to offer EHR incentive payments to providers.

The Organization received \$153,000 of incentive reimbursement for the year ended September 30, 2015, for HITECH incentives from Medicare and Medicaid for certain of the Organization's employed physicians that have demonstrated meaningful use of certified EHR technology or have completed attestations to their adoption or implementation of certified EHR technology. These incentive reimbursements are presented as a reduction of supporting services expenses on the statements of activities. The Organization did not receive any incentive reimbursement for the year ended September 30, 2016.

(v) **Recent Accounting Pronouncements**—In May 2014, the FASB issued Accounting Standards Update 2014-09: Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. The new standard (as amended) is effective for fiscal years beginning after December 15, 2018, and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

In February 2016, the FASB issued Accounting Standards Update 2016-02: Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard is effective for fiscal years beginning after December 15, 2019, and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In August 2016, the FASB issued Accounting Standards Update 2016-14: Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities, including net asset classification requirements and the information presented about an entity's liquidity, financial performance, and cash flows. The new standard is effective for fiscal years beginning after December 15, 2017, and may be adopted early. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

(w) **Subsequent events**—The Organization has evaluated subsequent events through March 13, 2017, the date the financial statements were available for issue. There have been no subsequent events that would require disclosure or adjustment to the financial statements.

(2) **Property and Equipment:**

Property and equipment were comprised of the following at September 30:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 1,122,973	\$ 944,046
Land	257,200	257,200
Furniture and fixtures	143,435	146,481
Computers and software	696,801	600,893
Leasehold improvements	628,415	277,989
Medical and dental equipment	409,432	343,495
	<u>3,258,256</u>	<u>2,570,104</u>
Accumulated depreciation	(756,481)	(489,648)
	<u>2,501,775</u>	<u>2,080,456</u>
Construction in progress	-	280,274
Total property, plant and equipment, net	<u>\$ 2,501,775</u>	<u>\$ 2,360,730</u>

Depreciation expense for the years ended September 30, 2016 and 2015, was \$266,843 and \$199,390, respectively.

Building improvements include approximately \$42,000 received in 2010 from the Marion County Board of County Commissioners CDBG Grant for improvements to be made to a dental office. The Organization is obligated to operate the facilities as a dental office for a minimum of twelve years according to the terms of the contract, which will expire in the 2022 fiscal year.

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

(3) **Certificates of Deposit:**

The Organization held certificates of deposit totaling \$2,501,583 and \$2,502,319 at September 30, 2016 and 2015, respectively. Certificates of deposit are reported at cost plus accrued interest. These certificates of deposit held at year-end have face values of \$250,000 and mature at various times through 2019, with original maturities of longer than three months. Interest rates on these deposits range from 0.65% to 1.2%. The certificates of deposit are federally insured by the FDIC.

(4) **Retirement Plan:**

The Organization has a defined contribution retirement plan for the benefit of all employees who are at least 18 years old. The plan qualifies under Section 401(k) of the Internal Revenue Code, thereby allowing eligible employees to make tax deductible contributions to the plan. The plan provides for an employer contribution of 3%. The Organization's contribution to the plan for the fiscal years ended September 30, 2016 and 2015, was \$174,933 and \$148,651, respectively. Amounts expensed in the current year are included in salaries and benefits.

(5) **Related Party Transactions:**

The Board of Directors includes members who are employees of Munroe Regional Medical Center (MRMC) and Ocala Regional Medical Center (ORMC). MRMC and ORMC provided support for both fiscal years ending September 30, 2016 and 2015, as indicated below. Other in-kind support received by the Organization from the two hospitals is in the form of MIS support and maintenance at no charge through January 2015; however, a value of this support has not been determined and is not included in the accompanying financial statements.

<b>Supporting Hospitals</b>	<b>2016</b>	<b>2015</b>
MRMC	\$ 400,000	\$ 400,000
ORMC	-	100,589
Total	\$ 400,000	\$ 500,589

(6) **Sources of Funding Received from Munroe Regional Medical Center:**

In 2016, the Organization received a \$257,000 grant from the Marion County Hospital District to provide emergency adult dental services to low income individuals in Marion County. As of September 30, 2016, the Organization received \$143,149 in support of this initiative. In 2015, Marion County Hospital District had a contract with the State of Florida through its Agency for Health Care Administration (AHCA) to participate in local Government Intergovernmental Transfers (IGT) related to the Low Income Pool (LIP) program in order to secure additional funds for Marion County Agencies. This arrangement enables these agencies to provide additional services to low income individuals through the provision of health services for Medicaid, uninsured and under-insured people of Marion County and the State of Florida. In fiscal year ending September 30, 2015, Marion County sent \$283,725 related to "Heart of Florida Health

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

(6) **Sources of Funding Received from Munroe Regional Medical Center:** (Continued)

Center” to secure matching funds for the participating hospital, Munroe Regional Medical Center (MRMC). As required in the donation agreement between Munroe Regional Medical Center and the Organization, the Organization received \$400,000 for each of the years ended September 30, 2016 and 2015.

**Source of Funds Received by Heart of Florida**

	<b>2016</b>	<b>2015</b>
MRMC	\$ 400,000	\$ 400,000
Marion County Hospital District	143,149	283,725
Total	\$ 543,149	\$ 683,725

(7) **Charity Care:**

The Organization has a policy of providing charity care to patients who are unable to pay for services. These services, which are excluded from revenues, amounted to approximately \$4,052,000 and \$3,297,000 in 2016 and 2015, respectively. Charity care represented approximately 33% of visits in 2016 and 40% of visits in 2015.

(8) **Concentrations of Credit Risk:**

Information related to significant concentrations of credit risk for financial instruments owned by the Organization is as follows:

(a) **Demand deposits with banks**—The Organization had demand deposits with a local bank with bank balances amounting to \$1,168,463 and \$993,960 at September 30, 2016 and 2015, respectively. The Organization does have a deposit policy for custodial credit risk which mandates that cash in interest bearing accounts that exceed the FDIC limit be immediately transferred to the non-interest bearing account to maintain FDIC coverage. At September 30, 2016 and 2015, \$918,463 and \$743,960 was uninsured, respectively.

(b) **Patient receivables**—Patients receivables are unsecured obligations of patients, private and commercial insurance companies, Medicare and Medicaid. Management recognizes that receivables from Medicaid and Medicare are significant, but does not believe that there are significant credit risks associated with government agencies. The mix of receivables from patients and third-party payors at September 30 was as follows:

	<b>2016</b>	<b>2015</b>
Medicaid	75%	58%
Medicare	15	10
Self pay/Sliding fee	8	19
Private/Commercial	2	13
	100%	100%

(c) **Patient revenues**—For the years ended September 30, 2016 and 2015, there were no material concentrations by a single provider.

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

(9) **Medical Malpractice Claims:**

The Organization obtains professional and general liability insurance to cover medical malpractice claims. To the extent that any claims-made coverage is not renewed or replaced with equivalent insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. Based on the Organization's incident reporting system, management is currently not aware of any instances that will give rise to a claim. Management anticipates that the claims-made coverage currently in place will be renewed or replaced with equivalent insurance as the term of such coverage expires.

(10) **Contingencies:**

The Organization received a substantial amount of its funding from federal grants, Ocala Regional Medical Center, Munroe Regional Medical Center, and the Marion County Board of County Commissioners. A significant reduction in level of this support, if this were to occur, may have a significant effect on Heart of Florida's program services.

Grants require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although this is a possibility, the Board and management deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants.

(11) **Commitments:**

The Organization leases office space, office equipment, and networking equipment under operating leases with varying expirations under non-cancelable operating lease agreements. Lease expense totaled \$437,861 and \$121,902 for the years ended September 30, 2016 and 2015, respectively.

Future minimum lease payments required under the above non-cancelable leases as of September 30, 2016, for each of the next five years and in the aggregate are as follows:

<b>Year Ending September 30,</b>	<b>Amount</b>
2017	\$ 467,246
2018	178,489
2019	1,789
2020	-
2021	-
	\$ 647,524

During 2016, the Organization executed an agreement with a Company to provide software and hosting services for electronic medical records. Under the agreement, the Organization is required to pay a monthly fee based on the number of providers using the service of approximately \$143,000 annually, which terminates March 2021. Including training and software costs applicable to the initial year of service only, the Organization expensed approximately \$430,000 related to this agreement in 2016.

Effective November 2015, the Organization executed an agreement with a local hospital for maternity services. Under the agreement, the Organization was required to pay a monthly fee of approximately \$23,000 until renegotiating with the hospital at a reduced rate of approximately \$12,000 monthly, which terminates October 31, 2018.

**SUPPLEMENTARY INFORMATION**

**HEART OF FLORIDA HEALTH CENTER, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Budget Period</u>	<u>Pass-Through Identifying Number</u>	<u>Expenditures</u>
<b>U.S. Department of Health and Human Services</b>				
Health Resources and Services Administration:				
Heath Centers Cluster: Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program and Consolidated Health Centers				
	93.527 / 93.224	3/1/2015-2/28/16	3 H80CS12859-06	\$ 2,218,522
	93.527 / 93.224	3/1/2016-2/28/17	3 H80CS12859-07	1,035,363
Total Health Resources and Services Administration				<u>3,253,885</u>
Center for Disease Control:				
Partnerships to Improve Community Health				
	93.331		5 NU58DP005632	1,462,267
<b>Total U.S. Department of Health and Human Services</b>				<u><u>\$ 4,716,152</u></u>

**Note 1:** The accompanying Schedule of Expenditures of Federal Awards includes federal award activity of Heart of Florida Health Center, Inc. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**Note 2:** None of the federal awards expended by the Organization were in the form of noncash assistance, there was no insurance in effect during the year related to federal awards, there are no awards passed through to subrecipients, nor were there any loans or loan guarantees outstanding at year-end.

**Note 3:** The matching requirement for each applicable contract was met by the Organization for the period under audit.

**Note 4: De Minimis Indirect Cost Rate Election** - Heart of Florida Health Center, Inc. does not elect to use the 10% de minimis indirect cost rate as covered in 200.414, Indirect (F&A) costs of the Uniform Guidance.

**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,  
Heart of Florida Health Center, Inc.:

We have audited 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, the financial statements of Heart of Florida Health Center, Inc. (the Organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 13, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Heart of Florida Health Center, Inc.'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 Heart of Florida Health Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Heart of Florida Health Center, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 *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. 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses – 2016-001 to 2016-004.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Heart of Florida Health Center, Inc.'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*.

## **Heart of Florida Health Center, Inc.'s Response to Findings**

Heart of Florida Health Center, Inc.'s response to the findings identified in our audit are described in the accompanying response to findings. Heart of Florida Health Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of This Report**

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

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

Gainesville, Florida  
March 13, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Directors,  
Heart of Florida Health Center, Inc.:

**Report on Compliance for Each Major Federal Program**

We have audited Heart of Florida Health Center, Inc.'s (the Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Heart of Florida Health Center, Inc.'s major federal programs for the year ended September 30, 2016. Heart of Florida Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Heart of Florida Health Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Heart of Florida Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Heart of Florida Health Center, Inc.'s compliance.

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### ***Opinion on Each Major Federal Program***

In our opinion, Heart of Florida Health Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

### ***Other Matter***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-005. Our opinion on each major federal program is not modified with respect to this matter.

Heart of Florida Health Center, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying summary schedule of prior audit findings and correction action plan. Heart of Florida Health Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Heart of Florida Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Heart of Florida Health Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Heart of Florida Health Center, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-005, which we consider to be a significant deficiency.

Heart of Florida Health Center, Inc. 's response to the internal control over compliance finding identified in our audit is described in the accompanying summary schedule of prior audit findings and correction action plan. Heart of Florida Health Center, Inc. 's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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, looped initial "J".

Gainesville, Florida  
March 13, 2017

**HEART OF FLORIDA HEALTH CENTER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**Section I. Summary of Auditors' Results:**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516a of the Uniform Guidance?  Yes  No

Identification of major programs: **Health Center Cluster**  
CFDA No. 93.224 Consolidated Health Centers  
CFDA No. 93.527 Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program

Dollar threshold used to distinguish between the type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee?  Yes  No

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
(Continued)

**Section II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*:**

**Finding 2016-001, formerly 2015-001**

Additional Accounting Assistance

**Condition** – Heart of Florida Health Center, Inc. (the Organization) is continuing to experience delays in its accounting and reporting processes. We noted that this finding was partially addressed during the current fiscal year. During July 2016, management hired a controller for the accounting department. During the audit of fiscal year ending September 30, 2016, audit adjustments were reduced from 23 to 11, 2 provided by the client after fieldwork began. While we observed improvements in documentation and support provided by the Controller, there are still challenges occurring with respect to the financial close process, most notably accounts receivable recorded at September 30, 2016. See finding **2016-004**.

**Criteria** – Accurate and timely financial information provides management with the tools to effectively operate the Organization. Significant audit adjustments indicate management is not using the most accurate and timely financial information during the year.

**Cause** – Based on discussions with staff, we attribute inadequate training during the transition of the year-end financial close process from the senior accountant to the Controller to be the primary reason for challenges within the accounting department observed during the audit. Findings **2016-004** and **2016-003** are also contributing factors.

**Effect** – Transition of the responsibilities within the department contributes to delays and errors in processing accounting and billing information, most importantly cash receipts processing. This, we believe, is a situation that brings about inefficiency and weakens internal controls and can be most problematic during periods of staff or software transition. See finding **2016-003**. Continued problems in receiving timely and current financial information can significantly impact senior management's abilities to manage operations of the Organization, such as providing relevant oversight and budgetary control, as well as future grant and expansion decisions.

**Recommendation** – We suggest Heart of Florida Health Center, Inc. evaluate and manage the transition of processes within the accounting department, including billing and collections, to ensure a smooth transition of information and responsibilities occurs, such that key data and duties continues to be provided as part of the financial reporting process.

**Managements' Response** – See page 29 attached.

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
(Continued)

**Section II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*: (Continued)**

**Finding 2016-002**

Patient Encounter Testing Results

**Condition** – In performing our revenue and billing testing, we noted that Heart of Florida Health Center, Inc. (the Organization) had several exceptions. The testing exceptions are summarized below.

**Criteria** – The following testing and exceptions were noted:

- (A) Testing timeliness of billing and collecting included review of the date of service and date the claim was initially submitted by the Organization. We obtained the date of claim from the "Posted Date" of the "Claim Note" noting submission in Greenway. We tested 25 encounters to ensure claim submission dates were within several days of the encounter (typically the next day). If the patient had insurance coverage and the first claim was not timely paid by the insurance company, we tested the Organization resubmitted the claim in a timely manner. To perform this we obtained the date paid from the "Posted Date" of the "APPLIED TO CHARGE: Insurance Payment" in Greenway. We noted a typical timeframe of payment receipt to be within one month after the date of claim. We noted 4 exceptions of the 25 patient encounters we tested.
- (B) Testing of proper documentation included review of patient records for the following documentation in accordance with the Organization's policy:
  - 1) For insured patients, reviewed completed Health Care Application ("HCA") form and proof of insurance through insurance card or view of electronic verification performed by the Customer Associate ("CA") in Greenway on the date of service, noting that the patient's status was "active."
  - 2) For uninsured patients who received Sliding Fee Scale discount, we reviewed Health Care Application form ("HCA") and Sliding Fee Scale ("SFS") Application form, noting patient's signature approval and date (e.g. date signed covered the period in which service date fell). Moreover, we reviewed that SFS Application form was completed properly, with patient's income information, CA approval signature, and date on the bottom. We noted if the patient failed to provide proof of income on the service date, the CA will place the patient as "over income" and therefore, patient will not receive SFS discount until they provide such proof.
  - 3) For self-pay patients, there will be no insurance information.

Our testing resulted in 4 of 25 exceptions for proper patient documentation in accordance with Organization policy. Two of the exceptions were the result of no completed HCA form for the patient. One exception was the result of the patient being placed at an amount per the SFS with no income verification, rather than being placed in "over income" until proof of income was provided. One exception was given the incorrect SFS discount and paid a lower co-pay at the time of visit.

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
(Continued)

**Section II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*: (Continued)**

**Finding 2016-002: (Continued)**  
Patient Encounter Testing Results

**Criteria** – The following testing and exceptions were noted: (Continued)

- (C) Verified patient record contained a signed agreement for treatment form, copy of identification, and dental records (if applicable). We noted for patients who were minors, copies of parental or guardian identification was present. We noted lack of patient consent for 2 instances out of 25 tested. Other documentation was available for the patient such as superbill denoting services by the provider.
- (D) Testing of claim payment and related adjustment was performed by reviewing billing history for proper receipt of cash from patients at time of visit or an appropriate effort made to collect the amount and write-off charges to the proper contractual adjustment account. If a patient was on sliding fee, the system will automatically perform a contractual adjustment on the service date for the full charge of the encounter as soon as the patient's charge is posted on the service date. If a patient was on sliding fee, we tested whether the patient received the SFS discount and was charged the copayment amount appropriate for their poverty level, based on the income shown on their SFS form and proof of income. We noted one exception out of 25 items tested where the account was not adjusted after insurance payment was received. We also noted one payment that had not been received as of the testing date for a 6/16/16 date of service.

**Cause** –

- (A) Discussions with Organization employees indicated that three claims took 2 months to submit because of delays caused by the providers who were required to update the ICD-10 codes on their patients' claims prior to claim submission. Per review of the CDC website, we noted that the use of ICD-10-CM codes were mandated for all inpatient medical reporting requirements starting October 1, 2015. Another claim we tested had been rejected and was not resubmitted. Upon discovery of this open claim, the Organization submitted the claim, but it was rejected due to timeliness. Our testing discovered this outstanding claim almost 7 months after the date of service.
- (B) Based on discussions with Organization employees, we noted CA oversight errors resulted in the documentation omissions and use of an outdated SFS schedule effective 2/1/14 - 1/31/15, while the date of service was 10/6/15. Currently no review is performed after the CA prepares the documentation to mitigate errors.
- (C) Based on testing discussions with Organization employees, we noted CA oversight error resulted in the lack of patient consent exceptions.
- (D) Based on discussions with Organization employees, recording the contractual adjustment after the insurance payment was received was a department oversight due to transition and training in the position.

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
(Continued)

**Section II. Findings relating to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*: (Continued)**

**Finding 2016-002: (Continued)**  
Patient Encounter Testing Results

**Effect –**

- (A) Delays of 2 months in submitting a claim for payment can cause challenges in managing accounts receivable as well as cash flow. The most significant cost of billing delays is the additional time attributed to billing the claim and investigation, if claim denied. In addition, the lag in cash collections and potential loss of revenue is concerning for the Organization. Lost revenue could be related to interest earnings or time lapses that result in inability for claim to be submitted and paid.
- (B) Lack of documentation in accordance with the Organization's policies results in violations internal to the Organization only. However, omissions and errors in documentation can be indicative of a systemic problem in the oversight and management of the patient encounter process.
- (C) Lack of patient consent increases risks for the Organization.
- (D) Accounts receivable is overstated by the contractual adjustment.

**Recommendations –**

- (A) We suggest Heart of Florida Health Center, Inc. dedicate personnel to perform analysis of any outstanding claims from January 1, 2016 through February 28, 2017. Analysis should include addressing any coding or submission errors causing rejection, communication with third-party payer and processing of claims such that payment is likely in the next 4-6 weeks. Heart of Florida Health Center, Inc. should give the submission and collection of any outstanding claims the highest priority in the upcoming months.
- (B) We recommend a comprehensive review of the current training program be performed to ensure it covers all the steps and documentation requirements necessary for the Organization to maintain accurate documentation. Training updates and reviews should be performed on a periodic basis, at a minimum twice annually. Additional training of CA's may reduce the number of errors and improve the likelihood proper documentation will be correctly maintained and proper SFS rates are used. In addition, the Organization may consider an internal audit function or hiring of a third party to periodically (perhaps quarterly) perform testing of patient encounter documentation to ensure the Organization's policies are followed and all required documentation is maintained.
- (C) We recommend a review of patient encounter documents be performed to ensure patient consent is maintained. The Organization may consider consulting an attorney regarding any risks related to dates of service that have already occurred for which patient consent is not maintained.

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
(Continued)

**Section II. Findings relating to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*: (Continued)**

**Finding 2016-002:** (Continued)  
Patient Encounter Testing Results

**Recommendations – (Continued)**

- (D) We recommend Heart of Florida Health Center, Inc. dedicate personnel to perform analysis of outstanding accounts receivable at September 30, 2016. Analysis should focus on addressing any balances with dates of service from January 1, 2016 through fiscal year-end. Any claim submission rejections should be cleared and resubmitted. As noted above, Heart of Florida Health Center, Inc. should give the submission and collection of any outstanding claims the highest priority in the upcoming months.

**Managements' Response –** See page 29 attached.

**Finding 2016-003:**  
Implementation and Transition Preparedness

**Condition –** Heart of Florida Health Center, Inc. (the Organization) did not properly prepare for the October 2015 ICD-10 implementation or the September 2016 transition to eClinical Works for medical records and billing.

**Criteria –** Proper preparation for implementations or transitions that significantly effect the operations of an organization must be strategically approached financially as well as operationally. Failure to do so can impact the day to day financial transaction level efficiencies as well as the Organization's ability to address any unforeseen challenges, delays, or errors. Specifically, the lack of preparedness, communication, and training impacts staffs and managements ability to address rejected claims, provide oversight to mitigate errors, and properly structure internal metrics to reward accuracy of information flowing into the Organization's data systems.

**Cause –** Based on discussions with Organization employees, we observed insufficient implementation strategies did not provide for training of customer associates and providers such that accurate information is obtained and input into the Organization's data systems on a consistent basis. We understand communications by the implementation team to the Organization's employees, specifically those using and expected to comply with new standards or systems could have been improved. Delays with the implementation of eClinical Works were not fully addressed for the impact they would have on financial operations and reporting.

**Effect –** Correct insurance information is not consistently obtained from patients. Review of patient financial information and documentation by office managers does not provide for efficient and timely correction of errors identified. In addition, provider efficiencies were significantly impacted for 2-4 weeks after the implementation.

**Recommendation –** We suggest Heart of Florida Health Center, Inc. consider strategies or guidance to improve communication and training prior to integral operational transitions.

**Managements' Response –** See page 29 attached.

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

(Continued)

**Section II. Findings relating to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*: (Continued)**

**Finding 2016-004:**

Patient Encounter Billing and Collections Cycle

**Condition** – In performing our audit, we noted that the Organization did not devote adequate time and resources to the proper collection of cash receipts related to patient encounter billings for the fiscal year ending September 30, 2016, which was compounded by implementation issues noted in finding **2016-003**.

**Criteria** – The patient encounter billing and collections cycle should operate in an environment that allows the Organization to properly bill and collect for the services provided. If claims are denied or not filed timely, the system should include proper safeguards to properly identify these issues and develop a timely solution.

**Cause** – We have observed that the billing department was understaffed during the electronic medical record transition due to transfer of key personnel to other departments as well as low general staffing levels. In addition, the Director of Patient Accounts is currently overseeing numerous areas, both operational and financial related. She also covers absences for location office managers, provides after-hours training for customer associates to supplement the half-day training they received on eClinical Works, and ensures all provider credentials are current and accurate. Her current duties, given the software transitions in fiscal year 2016, are not allowing time for proper oversight of the patient billing and collections cycle. Additionally, inconsistent data entry by providers and customer associates creates difficulties for the billing department.

**Effect** – Inadequate time and resources for the billing department can hinder the cash collection and financial operations of the Organization. Without proper staffing and allocation of duties, the Organization cannot investigate on denied claims or other unique issues related to patient encounters.

**Recommendation** – We suggest the Organization hire additional staff for the billing department and cross train employees to perform these duties as well. This will help address employee turnover and absences in the ordinary course of business. Staffing hires should provide for direct assistance to the Director of Patient Accounts or the Organization should consider a duties reallocation of the department. The steps should be implemented immediately to address the outstanding claims related to the fiscal year ending September 30, 2016.

**Managements' Response** – See page 29 attached.

**Section III. Findings and Questions Costs for Federal Awards**

**Finding 2016-005:**

Health Center Cluster - CFDA 93.527/93.224; Grant No. H80CS12859; Grant period - Year ended September 30, 2016; Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program and Consolidated Health Centers

**Condition** – The Organization had two instances of 25 tested were it did not demonstrate a reasonable effort to collect reimbursement for their costs under the Program Income compliance requirement.

**HEART OF FLORIDA HEALTH CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
(Continued)

**Section III. Findings and Questions Costs for Federal Awards (Continued)**

**Finding 2016-005:** (Continued)

Health Center Cluster - CFDA 93.527/93.224; Grant No. H80CS12859; Grant period - Year ended September 30, 2016; Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program and Consolidated Health Centers

**Criteria** – In accordance with the Program Income compliance requirement in the compliance supplement for the Health Center Program Cluster, health centers are required to make every reasonable effort to collect appropriate reimbursement for their costs in providing health services to persons eligible for medical assistance under Title XIX of the Social Security Act (Medicaid), entitled to insurance benefits under Title XVIII of the Social Security Act (Medicare) or entitled to assistance for medical expenses under any other public assistance program or private health insurance program.

**Cause** – The Organization had two instances of 25 tested where reasonable efforts were not made to collect reimbursement for their costs. One claim was rejected due to incorrect ICD 10 coding and not resubmitted timely. When it was submitted after discovered by our testing, it was denied due to timeliness. The second instance involved a patient incorrectly assigned the sliding fee scale (SFS) level which resulted in a copayment charged at 50% of what it should have been. The Organization's employee was using an outdated SFS schedule effective for 2/1/2014 - 1/31/2015 for a date of service of 10/6/2015.

**Effect** – The Organization reported less revenue and collected less cash than it was due for the claims noted above and did not demonstrate a reasonable effort to collect reimbursement for their costs.

**Recommendation** – The Organization should evaluate processes and policies related to billing and collecting as well as obtaining patient financial information. Training of Customer Associates and a policy and procedure for removing out of date materials should be considered. See findings 2016-001, 2016-002, 2016-003, and 2016-004 for additional related recommendations.

**Managements' Response** – See page 29 attached.

**Section IV. Prior Audit Findings and Corrective Action Plan for Federal Awards for the Year Ended September 30, 2015:**

**Finding 2015-001**

Additional Accounting Assistance

**Status:** Current year finding 2016-001

**Finding 2015-002**

Partnerships to Improve Community Health - CFDA 93.331; Grant No. 1U58DP005632-1; Grant period - Year ended September 30, 2015; National Center for Chronic Disease Prevention and Health Promotion

**Status:** Corrected



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### **Prior Audit Findings:**

Finding 2015-001 Additional Accounting Assistance- Management hired more personnel, specifically a controller and accounting clerk.

Finding 2015-02 Partnership to Improve Community Health HFHC did not maintain a procedure to ensure that reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA) were not met. Management has changed its policy and procedure to ensure all reporting requirements for new grants are filed by the due dates. Heart of Florida Health Center, Inc. will consult with a third – party regarding any question on future grants reporting requirements as soon as the grants are awarded. Non-issue 2016

### **Corrective Action Plan:**

2016-001 Management plans to address finding 2016-001, related to prior year 2015-001, Additional Accounting (Patient Billing Staff), Heart of Florida Health Center, Inc will evaluate and manage the transition of processes within the accounting and patient billing department to ensure a smooth transition of information and responsibilities occurs, such that key data and duties continue to be provided as part of the financial reporting process. The controller has developed a procedures manual for the accounting department. No real instructional manual has ever been developed in the department. The Patient billing area has been reviewed by a third party workflow expert. The consultant will develop a work flow, accountability, and reporting plan for implementation.

2016-002 a. Management will assign a person to perform an analysis of any outstanding claims from January 1, 2016 through February 28, 2017. The Analysis will include addressing any coding or submission errors causing rejection, communication with a third –party payer and processing of the claims. HFHC has already hired FQHC Inc. to evaluate the outstanding claim and workflow.

2016-002 b. Management has changed the E H R to automatically require annual HCA and the sliding fee discount is required to be verified annually. E C W (Eclinical Works) also calculates the discount automatically so the front staff will know the correct amount due.

2016-002 c. Management has changed the E H R to automatically require annual patient signed consent for treatment.

2016-002 d. Management is evaluating the claim and payment posting. Again, the sliding fee schedule is automatically calculated (E C W) and the amount owed is identified prior to treatment.

**Corrective Action Plan: Continued**

2016-003 Implementation and Transition preparedness... Heart of Florida Health Center, Inc. will plan approaches to improve communication and training prior to integral operation transitions. HFHC did conduct training on the IDC-10 coding. From this review it is apparent additional training related to sub codes is required. HFHC spent weeks training and testing the new E H R software. HFHC will be holding refresher courses for the customer associates. HFHC will document a process for evaluating performance of the front staff.

2016-004 Patient Encounter Billing and Collections Cycle – Management has already hired a third party to recommend the right staff size and workflow for the patient billing and collection staff. Management has made a commitment to limit the Director of Patient Accounts duties only to billing and internal duties. Operational responsibilities will be transferred to another manager.

HFHC is also evaluating changing the clearing house to one that can provide reporting.

2016-005 - The organization had two instances where it did not demonstrate a reasonable effort to collect reimbursement for their cost under the program Income compliance requirement. Management has installed a new E H R that automatically calculates the amount owed by the patient, prior to the visit. Heart of Florida Health Center had over 50,000 visits last year.

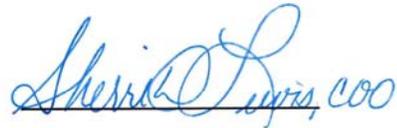
HEART OF FLORIDA HEALTH CENTER, INC.



Richard Mutarelli, CEO



Richard Horn, CFO



Sherri D. Lewis, COO

Date 03/21/2017