

HEART OF FLORIDA HEALTH CENTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

HEART OF FLORIDA HEALTH CENTER, INC.
TABLE OF CONTENTS
SEPTEMBER 30, 2017 AND 2016

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Financial Statements	
Statements of Financial Position	3
Statement of Activity	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 14
Schedule of Expenditures of Federal Awards	15
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 <i>Government Auditing Standards</i>	16 – 17
Independent Auditors' Report on Compliance for Each Major Federal Awards Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	18 – 19
Schedule of Findings and Questioned Costs	20 – 24
Summary Schedule of Prior Audit Findings and Correction Action Plan	25 – 26

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, 2017 and 2016, and 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, 2017, 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.

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, 2017 and 2016, 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, 2017, 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, 2016, 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, 2016, 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, 2018 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.

A handwritten signature in black ink that reads "James Moore, CPA, PLLC". The signature is fluid and cursive, with "James" and "Moore" being the most prominent parts, followed by "CPA, PLLC".

Gainesville, Florida
March 13, 2018

HEART OF FLORIDA HEALTH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,799,924	\$ 957,365
Restricted cash and cash equivalents	-	1,000
Total cash and cash equivalents	<u>1,799,924</u>	<u>958,365</u>
 Certificates of deposit	1,742,112	2,501,583
Patient receivables, net of allowance for doubtful accounts of \$1,214,986 and \$1,056,103 in 2016 and 2015, respectively	946,917	819,039
Other receivables	265,976	45,512
Prepaid expenses and other assets	12,543	14,239
Total current assets	<u>4,767,472</u>	<u>4,338,738</u>
 Property and equipment, net	<u>2,339,164</u>	<u>2,501,775</u>
 Other assets		
Intangible assets, net	143,719	188,596
Deposits	10,745	10,745
Total other assets	<u>154,464</u>	<u>199,341</u>
 Total Assets	<u><u>\$ 7,261,100</u></u>	<u><u>\$ 7,039,854</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 223,580	\$ 344,181
Accrued expenses	756,500	718,093
Deferred revenue	-	109,997
Total current liabilities	<u>980,080</u>	<u>1,172,271</u>
 Net Assets		
Temporarily restricted	-	1,000
Unrestricted, undesignated	4,241,020	3,826,583
Unrestricted, designated	2,040,000	2,040,000
Total net assets	<u>6,281,020</u>	<u>5,867,583</u>
 Total Liabilities and Net Assets	<u><u>\$ 7,261,100</u></u>	<u><u>\$ 7,039,854</u></u>

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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenue, gains and other support				
Patient service revenue, net of contractual allowances and discounts	\$ 6,479,819	\$ -	\$ 6,479,819	\$ 4,087,897
Provision for bad debts	<u>(714,697)</u>	<u>-</u>	<u>(714,697)</u>	<u>(158,883)</u>
Net patient service revenue less provision for bad debts	5,765,122	-	5,765,122	3,929,014
Premium revenues - capitated services	781,104	-	781,104	918,319
Federal support	3,280,360	-	3,280,360	3,253,885
State grant	997,020	-	997,020	1,185,295
Local support	380,000	-	380,000	380,000
Other contracts and support	475,772	-	475,772	671,859
Contributions	777	-	777	4,565
In-kind donations	291,805	-	291,805	563,400
Interest income	9,306	-	9,306	12,390
Miscellaneous income	60,712	-	60,712	26,845
Gain on sale of other assets	-	-	-	152,368
Net assets released from restrictions	2,000	<u>(2,000)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	12,043,978	<u>(2,000)</u>	<u>12,041,978</u>	<u>11,097,940</u>
Expenses and losses				
Program services:				
Medical	6,385,281	-	6,385,281	7,071,715
Dental	1,292,361	-	1,292,361	1,002,415
Patient support	1,362,713	-	1,362,713	1,250,757
Enabling services	186,950	-	186,950	158,834
Maternity	422,971	-	422,971	465,841
Supporting services:				
Administrative	2,028,222	-	2,028,222	1,304,639
Expenses before reimbursement	<u>11,678,498</u>	<u>-</u>	<u>11,678,498</u>	<u>11,254,201</u>
Electronic health records incentive reimbursement	<u>(142,905)</u>	<u>-</u>	<u>(142,905)</u>	<u>(268,835)</u>
Total expenses	<u>11,535,593</u>	<u>-</u>	<u>11,535,593</u>	<u>10,985,366</u>
Loss on disposal of property and equipment	92,948	-	92,948	102,729
Total expenses and losses	<u>11,628,541</u>	<u>-</u>	<u>11,628,541</u>	<u>11,088,095</u>
Auxiliary activities - Measure Up Marion County				
Federal support	1,124,890	-	1,124,890	1,462,267
Program expenses	<u>(1,124,890)</u>	<u>-</u>	<u>(1,124,890)</u>	<u>(1,462,267)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net assets	415,437	<u>(2,000)</u>	<u>413,437</u>	<u>9,845</u>
Net assets, beginning of year	5,865,583	2,000	5,867,583	5,857,738
Net assets, end of year	<u>\$ 6,281,020</u>	<u>\$ -</u>	<u>\$ 6,281,020</u>	<u>\$ 5,867,583</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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	Medical	Dental	Patient Support	Enabling Services	Maternity	Administrative	2017 Total	2016 Total
Salaries and benefits	\$ 3,643,561	\$ 1,018,716	\$ 1,351,986	\$ 174,302	\$ 79,080	\$ 1,640,397	\$ 7,908,042	\$ 7,368,691
Bank fees	-	-	-	-	-	26,878	26,878	17,683
Community relations	-	-	-	238	-	-	238	4,338
Conferences/Seminars	8,964	-	-	-	-	16,742	25,706	8,594
Consulting/Contract fees	53,313	-	-	-	289,564	-	342,877	519,443
Depreciation and amortization	139,998	72,150	-	-	-	8,247	220,395	277,495
Dues and subscriptions	-	-	-	-	-	17,569	17,569	14,774
Electronic medical records and billing service	402,617	14,963	-	-	2,993	2,993	423,566	204,214
Insurance	64,731	15,917	6,367	1,061	-	18,040	106,116	96,425
IT support and expense	213,070	19,081	-	-	-	85,864	318,015	66,018
Janitorial	53,237	11,573	-	-	-	12,345	77,155	68,577
Laboratory fees	323,922	-	-	-	44,171	-	368,093	272,103
Lease expense	67,503	28,930	-	-	-	96,433	192,866	96,159
Licensing and credentialing	7,495	4,997	-	-	-	-	12,492	6,537
Medical and dental supplies	149,580	47,236	-	-	-	-	196,816	218,733
Medical waste	10,427	-	-	-	-	-	10,427	-
Other	-	-	-	-	-	51	51	-
Patient service and support	-	-	-	-	-	-	-	-
Postage	6,111	736	-	-	-	515	7,362	9,390
Pharmaceuticals	59,762	-	-	-	-	-	59,762	56,258
Professional fees	-	-	-	-	-	54,341	54,341	85,119
Promotional	62,878	9,247	-	8,322	-	12,021	92,468	72,135
Radiology	500,400	-	-	-	-	-	500,400	500,400
Recruiting and hiring	14,253	1,756	527	527	-	176	17,239	38,906
Repairs and maintenance	30,481	6,590	-	-	-	2,873	39,944	43,298
Small equipment	4,304	2,582	-	-	-	1,722	8,608	28,923
Supplies and office expense	72,530	5,373	550	2,500	7,163	1,427	89,543	125,437
Telephone and utility expense	144,922	16,468	-	-	-	3,294	164,684	397,407
Training	3,392	441	250	-	-	323	4,406	10,032
Travel	15,868	7,438	3,033	-	-	23,249	49,588	30,254
Utilities	40,156	8,167	-	-	-	2,722	51,045	53,458
In-kind expenses	291,806	-	-	-	-	-	291,806	563,400
	\$ 6,385,281	\$ 1,292,361	\$ 1,362,713	\$ 186,950	\$ 422,971	\$ 2,028,222	\$ 11,678,498	\$ 11,254,201

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, 2017 AND 2016

	2017	2016
Cash flows from operating activities		
Increase in net assets	\$ 413,437	\$ 9,845
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Amortization and depreciation	177,785	277,495
Loss on disposal of fixed assets	92,948	102,729
Gain on sale of other assets	-	(152,368)
(Increase) decrease in certain assets:		
Patient receivables	(127,878)	(76,555)
Grant receivable	-	302,733
Other receivables	(220,464)	(8,070)
Prepaid expenses and other assets	(181,974)	50,590
Deposits	-	(2,882)
Increase (decrease) in certain liabilities:		
Accounts payable	(120,601)	(96,589)
Accrued expenses	38,407	254,490
Deferred revenue	(109,997)	(188,555)
Net cash provided by (used in) operating activities	(38,337)	472,863
Cash flows used by investing activities		
Purchase of property and equipment	(63,245)	(510,618)
Proceeds from sale of investments	943,141	184,406
Net cash provided by (used in) investing activities	879,896	(326,212)
Net increase in cash and cash equivalents	841,559	146,651
Cash and cash equivalents, beginning of year	958,365	811,714
Cash and cash equivalents, end of year	<u>\$ 1,799,924</u>	<u>\$ 958,365</u>

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, 2017 AND 2016

(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, 2017, 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, 2017, there were no temporarily restricted net assets. As of September 30, 2016, there was \$1,000 of temporarily restricted net assets.

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, 2017 and 2016, 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, 2017 AND 2016

(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, 2017 or 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

	2017	2016
Medicaid	\$ 4,470,881	\$ 2,310,325
Medicare	559,858	700,039
Self-Pay/Sliding fee	786,294	589,076
Private/Commercial	662,786	488,457
Total	<u>\$ 6,479,819</u>	<u>\$ 4,087,897</u>

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.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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

Revenue from the Medicaid and Medicare programs accounted for approximately 69% and 8%, respectively, of the Organization's net patient revenue for the year ended September 30, 2017, and approximately 59% and 16%, respectively, of the Organization's net patient revenue for the year ended September 30, 2016. Laws and regulations governing Medicare and Medicaid programs are 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 2017 and 2016, 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, patient support, other enabling services, maternity, 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 \$69,329 and \$24,452 at September 30, 2017 and 2016, respectively. Amortization expense totaled \$44,877 and \$10,652 for the years ended September 30, 2017 and 2016, respectively. Amortization expense is expected to be approximately \$11,000 for the next five years.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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

- (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, 2017, the Organization received pharmaceutical items that have been valued at \$1,064. For the fiscal year ending September 30, 2016, the Organization received pharmaceutical items that have been valued at \$103,338 respectively. 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 \$287,950 for the fiscal year ending September 30, 2017 and 2016, 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 \$92,706 and \$76,472 for the years ended September 30, 2017 and 2016, respectively.
- (t) **Comparative data**—The amounts shown for the year ended September 30, 2016, in the statements of activity and functional expenses are included to provide a basis for comparison with 2017 and present summarized totals only. Accordingly, the 2016 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, 2016, 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 reported \$142,905 and \$268,835 during the years ended September 30, 2017 and 2016, of incentive reimbursement for HITECH incentives from Medicare and Medicaid related to the Hospital and for the Hospital's employed providers 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 reported under the grant accounting model as there is reasonable assurance that the Hospital complied with applicable requirements in the current period. These amounts are estimates and subject to change, with such changes recorded in the period in which they occur. Additionally, the amounts are subject to audit by the federal government or its designee.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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

(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.

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, 2018, the date the financial statements were available for issue. See Note 12 for a subsequent event disclosure.

(2) **Property and Equipment:**

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

	2017	2016
Buildings	\$ 1,122,973	\$ 1,122,973
Land	257,200	257,200
Furniture and fixtures	117,292	143,435
Computers and software	577,756	696,801
Leasehold improvements	624,127	628,415
Medical and dental equipment	373,044	409,432
	<hr/> 3,072,392	<hr/> 3,258,256
Accumulated depreciation	(733,228)	(756,481)
Total property, plant and equipment, net	<hr/> \$ 2,339,164	<hr/> \$ 2,501,775

Depreciation expense for the years ended September 30, 2017 and 2016, was \$132,908 and \$266,843, 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, 2017 AND 2016

(3) Certificates of Deposit:

The Organization held certificates of deposit totaling \$1,742,112 and \$2,501,583 at September 30, 2017 and 2016, 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, 2017 and 2016, was \$183,315 and \$174,933, 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). MRMC provided support for both fiscal years ending September 30, 2017 and 2016, 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.

<u>Supporting Hospital</u>	<u>2017</u>	<u>2016</u>
MRMC	\$ 400,000	\$ 400,000

(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. 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, 2017 and 2016.

Source of Funds Received by Heart of Florida

	<u>2017</u>	<u>2016</u>
MRMC	\$ 400,000	\$ 400,000
Marion County Hospital District	-	143,149
Total	<u>\$ 400,000</u>	<u>\$ 543,149</u>

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

(7) **Charity Care:**

The Organization has a policy of providing charity care to patients who are unable to pay for services. These services amounted to approximately \$3,966,000 and \$4,052,000 in 2017 and 2016, respectively. Charity care represented approximately 32% of visits in 2017 and 33% of visits in 2016.

(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 \$1,968,528 and \$1,168,463 at September 30, 2017 and 2016, 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, 2017 and 2016, \$1,718,528 and \$918,463 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:

	2017	2016
Medicaid	88%	75%
Medicare	2	15
Self pay/Sliding fee	5	8
Private/Commercial	5	2
	100%	100%

- (c) **Patient revenues**—For the years ended September 30, 2017 and 2016, there were no material concentrations by a single provider.

(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, 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.

HEART OF FLORIDA HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

(10) **Contingencies:** (Continued)

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 \$415,962 and \$437,861 for the years ended September 30, 2017 and 2016, respectively.

Future minimum lease payments required under the above non-cancelable leases as of September 30, 2017, for each of the next five years and in the aggregate are as follows:

Year Ending September 30,	Amount
2018	\$ 480,841
2019	274,595
2020	1,789
2021	-
2022	-
	<hr/> <u>\$ 757,225</u>

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.

(12) **Subsequent Event:**

In January 2018, the Organization elected to change the fiscal year to March 1 – February 28 (29). This year end change will be effective for February 28, 2018.

SUPPLEMENTARY INFORMATION

HEART OF FLORIDA HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Program Title	CFDA Number	Budget Period	Pass-Through Identifying Number	Expenditures
U.S. Department of Health and Human Services				
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	93.224 93.527	3/1/16-2/28/17 3/1/16-2/28/17	3 H80CS12859-04 3 H80CS12859-04	\$ 1,357,409 72,245
	93.224 93.527	3/1/17-2/28/18 3/1/17-2/28/18	3 H80CS12859-08 3 H80CS12859-08	1,850,706 -
Total Health Resources and Services Administration				<hr/> 3,280,360
Center for Disease Control:				
Partnerships to Improve Community Health	93.331	10/1/16-9/30/17	5 NU58DP005632	1,124,890
Total U.S. Department of Health and Human Services				<hr/> \$ 4,405,250

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, 2017, 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, 2018.

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 – 2017-001 to 2017-003.

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, CPA, P.L." The signature is fluid and cursive, with "James" and "Moore" being the most prominent parts, followed by "CPA," a small comma, and "P.L."

Gainesville, Florida

March 13, 2018

**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, 2017. 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.

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, 2017.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, Esq., P.L." The signature is fluid and cursive, with "James" on top, "Moore" below it, "Esq." to the right of "Moore", and "P.L." to the right of "Esq." There is a small circle to the left of the "J" in "James".

Gainesville, Florida
March 13, 2018

HEART OF FLORIDA HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section I. Summary of Auditors' Results:

Financial Statements

- | | | |
|---|---|---|
| Type of auditors' report issued: | Unmodified | |
| Internal control over financial reporting: | | |
| • Material weakness(es) identified? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None Reported |

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- | | | |
|---|------------------------------|---|
| • Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> 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
2017 AND 2016

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

Finding 2017-001

Paid Time Off

Condition – Heart of Florida Heath Center, Inc. (the Organization) adopted a new policy for paid time off during the current year that we understand impacted the calculation of paid time off accrued at September 30, 2017.

Criteria – Accrued paid time off at year-end should reflect the beginning of year balance, plus fiscal year paid time off earned, less fiscal year paid time off taken.

Cause – Based on discussions with staff, we attribute the policy change in paid time off during the fiscal year to impacting the accrual amounts earned and taken such that we were not able to recalculate the accrued time off at year-end properly.

Effect – Our testing of paid time off accrued at September 30, 2017, was limited to agreeing the Paycom reports to the general ledger. Based on work performed, we concluded the balance recorded is not materially overstated; however, given an understatement of accrued payroll at year-end deem the finding to be a material weakness in financial reporting.

Recommendation – We suggest Heart of Florida Heath Center, Inc. evaluate the current policy and accuracy of the third-party payroll provider schedules to ensure the balance at September 30, 2017 is accurately reflecting employee paid time off.

Managements' Response – See page 29 attached.

Finding 2017-002, formerly 2016-002

Patient Encounter Testing Results

Condition – In performing our revenue and billing testing, we noted that Heart of Florida Heath Center, Inc. (the Organization) had several exceptions. The testing exceptions are summarized below. We noted that this finding was partially addressed during the current fiscal year.

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 tested 40 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. We noted a typical timeframe of payment receipt to be within one month after the date of claim. We noted 7 exceptions of the 40 patient encounters we tested.
- (B) Testing of proper documentation included review of patient records for documentation in accordance with the Organization's policy. Our testing resulted in 3 of 40 exceptions for proper patient documentation in accordance with Organization policy. The three exceptions were the result of no patient ID or photo in the file.

HEART OF FLORIDA HEALTH CENTER, INC.
SCHEDULE OF FINDINGS
2017 AND 2016

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

Cause –

- (A) Discussions with Organization employees indicated that claims were delayed due to the following issues: providers not locking encounters to allow for submittion, incomplete provider notes, getting corrected code error informtioin from providers, lack of follow-up on denials by billing staff, and error in insurance coding by Customer Associates (CA).
- (B) Based on discussions with Organization employees, we understand the CA's encountered technical issues with attaching photos to patient charts.

Effect –

- (A) Delays in submitting claims 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 claims to be submitted and paid.
- (B) Lack of documentation in accordance with the Organization's policies results in violations internal to the Organization only.

Recommendations –

- (A) We suggest Heart of Florida Heath Center, Inc. dedicate personnel to perform analysis of any outstanding claims through March 13, 2018. 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 Heath 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. 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.

Managements' Response – See page 29 attached.

HEART OF FLORIDA HEALTH CENTER, INC.
SCHEDULE OF FINDINGS
2017 AND 2016

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

Finding 2017-003:

Fixed Assets

Condition – Heart of Florida Heath Center, Inc. (the Organization) did not properly adjust fixed assets at September 30, 2017.

Criteria – The Organization should maintain one subsidiary ledger of fixed assets that agrees to the Abila (the financial reporting software) general ledger accounts related to fixed assets: cost basis, accumulated depreciation, depreciation and gain/loss on disposal of fixed assets.

Cause – The Organization has been maintaining two subsidiary ledgers for fixed assets. One schedule was maintained in Abila and one schedule was maintained in an Excel spreadsheet. The schedules did not agree to one another or the general ledger accounts related to fixed assets.

Effect – Additional time was incurred by the Organization maintaining two schedules. The schedule of record should always be the one that is linked to the financial reporting software, as this will reduce the chances of differences between the schedule and differences between the general ledger accounts related to fixed assets. During our audit testing we attempted to agree the Excel spreadsheet provided to the general ledger. We encountered numerous issues with the Excel spreadsheet that resulted in significant involvement by the CFO to reconcile the two schedules to the fixed asset general ledger accounts. Two significant audit adjustments resulted.

Recommendation – We understand that Heart of Florida Heath Center, Inc. has reconciled the schedules to one another and all assets are now reflected on the Abila schedule and it agrees to the general ledger fixed asset accounts.

Managements' Response – See page 29 attached.

Section III. Findings and Questions Costs for Federal Awards

None noted

Section IV. Prior Audit Findings and Corrective Action Plan for Federal Awards for the Year Ended September 30, 2017:

Finding 2016-001, formerly 2015-001

Additional Accounting Assistance

Status: Corrected

Finding 2016-002

Patient Encounter Testing Results

Status: Current year finding 2017-002

**HEART OF FLORIDA HEALTH CENTER, INC.
SCHEDULE OF FINDINGS
2017 AND 2016**

Section IV. Prior Audit Findings and Corrective Action Plan for Federal Awards for the Year Ended September 30, 2017: (Continued)

Finding 2016-003

Implementation and Transition Preparedness

Status: Corrected

Finding 2016-004

Patient Encounter Billing and Collections Cycle

Status: Corrected

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

Status: Corrected



Corporate Office
203 E Silver Springs
Blvd. Suite 101
Ocala, FL 34470
(352) 732-6599
(352) 390-8976 (Fax)

Prior Audit Findings:

Finding 2016-002 Patient Encounter Testing Results – Management did assigned an employee to analysis and review all the outstanding claims. This included addressing any coding or submission errors causing rejections. Heart of Florida hired FQHC, Inc. to evaluate the workflow of the billing department.

Management changed the Electronic Health Record (E-clinical Works) to automatically require annual patient signed consent for treatment and that the sliding fee discount is required to be verified annually. The Electronic Health Record (E-clinical Works) also calculates the discount automatically so the front desk will know automatically what to collect from the patient.



203 E Silver Springs
Blvd, #101
Ocala, FL 34470

Corrective Action Plan:

2017-001 Management will run the Accrual Report out of the payroll system (PayCom) on a quarterly basis to ensure the balance of the employees paid time off is accurately reflecting the employees paid time off policy. The paid time off balances will be balanced to the general ledger quarterly.

2017-002 a. Management plans to address finding 2017-002, related to prior year 2016-002, Heart of Florida has implemented a queue system through the practice management system (E-clinical Works). This queue system will monitor time spent on claims from date of service to date filed. If the claims are not worked in a timely basis, the claim is moved to the supervisor's queue for review. This process will allow the supervisor to perform analyses on all outstanding claims.

2017-002 b. Heart of Florida is currently doing a comprehensive review on the current training program. The changes that have been recommended to implement are the following:

Training during the providers monthly meetings.

Training and updates given during the monthly management team meetings.

The EHR Specialist/Informatics staff will provide detailed reports regarding documentation and other errors/mistakes to the Director of Nursing and Director of Operations. They will review the errors/mistakes with the Customer Associates and Medical Associates holding them accountable for the errors/mistakes.

2017-003 Heart of Florida has all the fixed assets entered into Abila (fixed asset module). Accounting staff will balance the asset ledger from Abila to the general ledger monthly. The Chief Financial Officer will review the reports monthly.