

WORKSHOP

Workshop on Primary Healthcare

Tuesday, May 13, 2014

1:30 – 3:00 p.m.

**Leon County Board of County Commissioners' Chambers
Leon County Courthouse, 5th Floor**

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**Leon County
Board of County Commissioners**

Notes for Workshop

Leon County Board of County Commissioners

Cover Sheet for Workshop

May 13, 2014

To: Honorable Chairman and Members of the Board

From: Vincent S. Long, County Administrator 

Title: Workshop on Primary Healthcare

County Administrator Review and Approval:	Vincent S. Long, County Administrator
Department/Division Review:	Alan Rosenzweig, Deputy County Administrator
Lead Staff/Project Team:	Candice M. Wilson, Director, Office of Human Services and Community Partnerships Rosemary F. Evans, Healthcare Services Coordinator Eryn D. Calabro, Financial Compliance Manager Shington Lamy, Assistant to the County Administrator

Fiscal Impact:

This item has a fiscal impact. Annually, through the budget process, the Board allocates \$1.7 million for the provision of healthcare services in the community.

Recommendation:

Board direction.

Report and Discussion

Background:

On January 21, 2014, the Board approved staff scheduling a workshop on primary healthcare for May 13, 2014. This workshop serves as a follow up to the March 11, 2014 Workshop on Primary Healthcare and the April 3, 2014 Day of Dialogue. The Board expressed the intent that this workshop to discuss options for the allocation of next fiscal year healthcare funding, taking into consideration input received from the Day of Dialogue. It is important to note that Leon County funding in support of the primary healthcare program has not dropped during these tough economic times even without a dedicated funding source.

Over the last several months, multiple actions by the Board have made it clear that the Board desires a more formal partnership between Bond Community Health Center (Bond) and Neighborhood Medical Center (NMC). On December 10, 2013, the Board requested that Bond and NMC submit a joint application to Health Resources and Services Administration's (HRSA) Service Area Competition (SAC) process. At the March 11, 2014 Workshop on Primary Healthcare, the Board again expressed the importance of Bond and NMC working collaboratively to provide primary healthcare. At the April 3, 2014 Day of Dialogue, a partnership between the two healthcare agencies was again discussed and encouraged by those Commissioners who were present. In support of NMC now being awarded the FQHC status, Leon County staff is part of the official transition team; further discussion is provided in the analysis section.

In preparation for the March workshop and to fully understand the impacts of the Affordable Care Act (ACA) on the CareNet model, the County engaged Mercer to prepare such a report. The Mercer report provided to the Board at the March 11, 2014 Workshop identified a population of residents who are not eligible for health insurance through Medicaid or the Federal Health Insurance Marketplace. This population lives at or below 100% of the Federal Poverty Level, which is the population Leon County has targeted through its contracts with NMC and Bond. Without the expansion of Medicaid in Florida, this coverage gap will continue to exist, and these residents will continue to lack health insurance coverage. Mercer validated that the CareNet program meets a vital need for those in the coverage gap that is not met by any other program.

In addition to receiving the Mercer report at the Workshop on Primary Healthcare on March 11, 2014, the Board directed staff to explore alternative healthcare funding options if the Day of Dialogue held April 3, 2014, did not result in the level of collaboration desired by the Board. These, and other options, are presented later in this workshop.

Analysis:

This workshop contains a detailed overview and analysis of several aspects of the healthcare continuum in Leon County and presents options for moving forward with Leon County healthcare funding.

1. Summary of the Mercer Study
2. Summary of the Day of Dialogue
3. Overview of Bond and NMC Plans and Cooperative Efforts
4. Current Primary Healthcare Program Funding and Contract Administration
5. Analysis of Options Presented at the March 11, 2014 Workshop on Primary Healthcare
6. Options for Modifying the Primary Healthcare Program Funding Process

1. Summary of the Mercer Study

The Mercer report, presented as part of the March 11, 2014 Primary Healthcare Workshop, provides a detailed summary of the provisions of the ACA to determine the potential impact of the federal healthcare reform law on the CareNet program (Attachment #1). The report explores potential insurance options related to alternative coverage for individuals served through the CareNet program. Additionally, it provides a thorough analysis of whether those provisions may be options for the County to explore further as an alternative to the CareNet program. The report also includes scenarios demonstrating the types of coverage and subsidies available on the Marketplace, although this is not the population being served through the County's funding. No analysis of potential enrollment and financial impacts of alternative coverage were included.

Without the expansion of Medicaid in Florida, one of the key provisions of the healthcare reform law, traditional rules for Medicaid eligibility still apply. This means that, in Florida, individuals making less than 100% of the Federal Poverty Level (FPL) are eligible for Medicaid coverage if they meet following eligibility categories:

- Parents and custodial familial caretakers of children
- Children
- Pregnant women
- Former foster care individuals
- Non-citizens with medical emergencies
- Aged or disabled individuals not currently receiving Supplemental Security Income

For individuals earning greater than 100% of FPL, they are eligible to participate in and access subsidized coverage through the Federal Health Insurance Marketplace. This leaves a "coverage gap" of those earning less than 100% of FPL who do not meet the eligibility criteria. These are the individuals currently being served through the CareNet program.

In summary, Mercer states the following: "as CareNet's eligible population is 0-100% FPL, and health insurance subsidies are offered for persons 100-400% FPL, there should be no overlap in members of CareNet and persons obtaining coverage through the Marketplace. Therefore, to insure individuals eligible for subsidies avail themselves of this option, the CareNet providers can direct any clients over 100% FPL to the Marketplace for health insurance coverage."

Mercer recommends that the County use the HSCP Client Management System, which verifies the eligibility of CareNet clients, to verify that CareNet funds are not being used to provide services to individuals who can be guided to pursuing health insurance coverage through the Marketplace.

Given Florida's decision not to expand the Medicaid program, the continuation of County funding for the CareNet program provides a critical source of healthcare funding for uninsured residents of the County. Mercer further states that the collection of "additional data, such as age and employment status, could assist the County in planning for the program's future needs and help identify specific individuals who may have other healthcare coverage options, such as employer-sponsored coverage and dependent coverage through

parents' plans." At the March workshop, the Board approved staff's recommendation to modify the data collection requirements as part of next year's primary healthcare provider contracts.

As noted in the Mercer report, the County has implemented a new client management system for the providers to submit billing requests. The County is auditing the system monthly; the system requires all eligibility documentation to be uploaded prior to submission for reimbursements.

2. Summary of the Day of Dialogue

On September 24, 2013, staff received approval from the Board to apply for the National Association of Counties' (NACo) Community Dialogues to Improve Health Initiative (Day of Dialogue) to host a one-day community dialogue to strategize efforts in coordinating healthcare in the community. Leon County was selected as one of six counties to participate in the Community Dialogues to Improve Health. On January 21, 2014, the Board scheduled the Day of Dialogue for April 3, 2014. County staff worked with representatives from NACo, the Robert Wood Johnson Foundation, and the University of Wisconsin Population Health Institute to develop the day's agenda.

Community stakeholders including CareNet partners, local hospitals, and universities were invited to discuss and identify opportunities to enhance the CareNet program through greater community collaboration and the establishment of formal partnerships. The event was held at the Florida Department of Health in Leon County's Orange Avenue location from 8:30 a.m. until 3:00 p.m.

The overarching theme for the day was related to enhancing access to care in Leon County. The day was divided into four panel discussions, with the invitees, County staff and County Commissioners serving as panelists. Facilitation was provided by County staff, NACo, and the University of Wisconsin Population Health Institute. NACo representatives prepared a report summarizing the day's discussion (Attachment #2). The discussions focused on strengths and assets, gaps and barriers to collaboration, and removing barriers to collaboration for greater coordination of care. The meeting was open to the public, with comment periods provided at the close of each panel discussion.

The panelists represented the following organizations: Apalachee Center, Big Bend Cares, Bond Community Health Center, Capital Medical Society Foundation/We Care, FAMU College of Pharmacy, Florida Department of Health in Leon County, FSU College of Medicine, Leon County Government, Neighborhood Medical Center, North Florida Medical Centers, Tallahassee Memorial HealthCare (TMH), and United Way of the Big Bend.

In discussing strengths and assets, the following highlights were noted:

- CMS Foundation/We Care provides a valuable service to the community via the excellent quality of care donated by its volunteer physicians and dentists.
- The FSU College of Medicine attracts those wanting to serve the underserved and students have the opportunity to do this at Bond and NMC.

- The FAMU College of Pharmacy plays a major role in helping patients access needed medications; this is part of their mission and they invest money to ensure delivery of services.
- The TMH residency programs produce quality physicians who remain in our community.
- TMH's partnership with the FSU College of Medicine and Capital Health Plan to create the Transition Center.
- Capital Health Plan, as a non-profit local HMO, thinks long-term about the community's needs.
- The nursing schools at FSU, FAMU, and TCC.
- Bond and NMC provide excellent care to patients where they are in the community with their main sites and satellite sites.
- The CHSP partnership between the County, City, and United Way invests heavily in healthcare.
- Being the state capital of Florida gives us an advantage in influencing health policy.

The discussion centered on gaps and current barriers to collaboration noted the following:

- There is a lack of connected health records and sharing of information which hurts the continuum of care for patients.
- It is important to move from provider-centered to patient-centered care.
- Patients need a single medical home from which they receive all care.
- More investment is needed in providing medical social workers and case managers to assist the chronically-ill in navigating the healthcare system.
- Multi-year funding would better serve patients.
- Mortality of African Americans from diabetes needs to be addressed.

The discussion regarding removing barriers to collaboration highlighted the following:

- There needs to be a focus on creating an outcome-driven, shared vision for healthcare in our community.
- Using Healthy People 2020 as benchmarks could be a good starting point and would help with grants that are tied to these benchmarks.
- Health literacy and prevention are key focus areas. People need to realize what it means to be healthy and how important this is.
- The Mobilizing for Action through Planning and Partnerships (MAPP) Report completed by the Florida Department of Health in Leon County could be used to determine what we should look at.
- Food deserts and nutrition need to be considered and addressed.

The final discussion revolved around next steps, and what those at the table could commit to providing as we move forward. Each organization stated the following:

- CMS Foundation/We Care will sit at the table with Bond and NMC to provide the most/best specialty care they can.
- NMC will send out official invitations for their transition team.
- United Way of the Big Bend will continue to work with their Health Council to identify and address community health issues.
- Apalachee Center will be at the table for a behavioral health perspective.
- Bond looks forward to working closely with safety net providers.

- The Florida Department of Health in Leon County will provide information from MAPP and be at the table.
- FAMU College of Pharmacy will compile local health statistics and continue to work closely with Bond and NMC in an outcome-driven fashion.
- TMH will continue to work with Bond and NMC and provide their data technology to map population and geographic area specific health issues.
- The FSU College of Medicine will continue to work with Bond and NMC in a direct healthcare role.
- North Florida Medical Centers will be available for consultation in any way they can help Bond or NMC.

Bond, NMC, and the FAMU Center for Health Equity shared a partnership they formed to address the high number of African Americans in our community with diabetes. This partnership is discussed in detail in Section 3 of this workshop.

In addition to immediately addressing a number of items through next year's budget process (as reflected in the options section), staff recommends continuing to use the County's Community Health Coordinating Committee (CHCC) to further explore issues raised. The CHCC membership includes the Florida Department of Health, FAMU College of Nursing, FSU College of Medicine, Big Bend Health Council, Practicing Physician, Practicing Dentist, Mental Health Professional, Community Member-at-large, and School Board representative. The CHCC currently operates as a Board appointed focus group that provides a forum for citizen participation in healthcare planning and dialogue to address community concerns and problems regarding healthcare.

County staff will work with the CHCC to specifically address the issues discussed at the Day of Dialogue, to include assessing the possibility of creating an outcome-driven model for primary healthcare and evaluating opportunities for enhancing the sharing of information among providers. Staff will ensure that individual community partners (e.g. Bond, NMC, FAMU Pharmacy, TMH, United Way, Apalachee) are included on the agenda as part of future meetings of the CHCC; this will be accomplished over a series of CHCC meetings. By continuing this on-going dialogue the CHCC, with staff support and the engagement of community partners, will be best positioned to develop further healthcare recommendations for Board consideration.

3. Overview of Bond and NMC Transition Plans and Cooperative Efforts

With NMC being awarded the Tallahassee SAC (FQHC status) from HRSA, a formal transition is currently underway between NMC and Bond.

County staff has been invited by NMC to participate as part of their transition team. To date, one formal meeting has occurred. To ensure an accurate representation of Bond and NMC's transition plans are presented, staff requested Bond and NMC to provide written transition plans to be included as part of the workshop packet.

In a letter (Attachment #3) to the Director of the Office of Human Services and Community Partnerships, dated April 25, 2014, the CEO of Bond writes that Bond is a participating provider with all major insurance plans and will continue to provide services through its committed partnerships with area organizations, including "affiliation agreements with 17

health and human service entities throughout Leon and surrounding counties.” They intend to expand on these relationships. Bond is in the process of applying to HRSA for FQHC Look-Alike status, and “all efforts are being made for right-sizing the organization and initiating a strategic planning process to ensure its future financial viability.” Bond also provided a transition plan (Attachment #4) identifying steps to be taken over the next four months, which includes meetings with their HRSA Project Officer to ensure a smooth transition.

NMC provided the implementation plan (Attachment #5) that accompanied their application to HRSA. It details the goals and action steps that must be accomplished and the time frames for completion. According to their Notice of Award dated March 28, 2014, all sites must be operational within 120 days. NMC has bi-weekly conference calls with their HRSA Project Officer to ensure they are meeting set goals, and are updating the plan as needed.

As part of the County’s regular meetings with the Executive Directors of Bond, NMC, and CMS Foundation/We Care, Bond and NMC stated a merger of the two organizations was discussed at multiple meetings between the two organizations. Bond and NMC stated a meeting with both boards, an independent consultant, and a representative of the Florida Association of Community Health Centers (FACHC) was held on April 21, 2014. County staff asked Bond and NMC to provide an overview of these meetings. Out of these meetings came the following conclusions (Attachment #6):

- The Florida Association of Community Health Centers, HRSA, and individual attorneys for the organizations were involved and concluded a merger was not possible due to, among many concerns, the liability of assuming another organization's data and debts.
- It is not possible to completely merge without Bond losing its identity.
- Bond plans to continue under its current business model.
- Patient choice is a top priority for both organizations and would be lost in a merger.
- NMC will not takeover Bond.
- The extent of NMC's willingness to collaborate is on individual programs, and only on those that are allowed within HRSA’s policies and procedures. HRSA does not mandate or define collaboration, however it is strongly encouraged.
- NMC assuming Bond’s operations would require a change in their HRSA scope of work, which would be subject to HRSA approval.

NMC and Bond did announce at the Day of Dialogue a formal partnership as it relates to diabetes care. The FAMU Center for Health Equity, Bond, and NMC presented a Memorandum of Agreement (Attachment #7) forming a healthcare alliance to address the issue of morbidity and mortality among African Americans with type 2 diabetes. Faculty and staff of the FAMU Center for Health Equity will provide assessments of diabetic patients of Bond and NMC and assist them in implementing a care plan for each patient, with the primary goal of improving management of diabetes among this underserved population. Funding to support this partnership has been requested by FAMU and is reflected in the options section.

4. Current Primary Healthcare Program Funding and Contract Administration

For more than a decade, the County has provided funding to CareNet agencies to support their efforts to provide critical healthcare services to uninsured and indigent residents of Leon County. The overall long-term goal of CareNet is to provide access to primary care and specialty care services to all Leon County residents who are in need of such services. For all funding received from the County, each provider submits monthly reports detailing services provided.

The current funding structure for Primary Healthcare provides \$1.7 million to CareNet partners annually. Table 1 summarizes the funding for the last five years.

Table 1. Primary Healthcare Funding FY2009/10- FY2013/14

Agency	FY2009/10	FY2010/11	FY2011/12	FY2012/13	FY2013/14
Bond Primary Care	\$329,380	\$332,052	\$332,052	\$332,052	\$332,052
Bond Women & Children	\$248,260	\$245,588	\$245,588	\$245,588	\$245,588
Bond Mental Health	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Bond Pharmacy*	\$88,750	\$177,500	\$177,500	\$177,500	\$177,500
<i>Total Bond Funding</i>	\$716,390	\$805,140	\$805,140	\$805,140	\$805,140
Neighborhood Medical Center (NMC) Primary Care	\$416,740	\$416,740	\$416,740	\$416,740	\$416,740
NMC Mental Health	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
<i>Total NMC Funding</i>	\$466,740	\$466,740	\$466,740	\$466,740	\$466,740
Capital Medical Society Foundation/We Care Network	\$130,043	\$130,043	\$130,043	\$130,043	\$130,043
FAMU Pharmacy**	\$266,250	\$177,500	\$177,500	\$177,500	\$177,500
Florida Healthy Kids	\$7,514	\$3,777	\$2,488	\$2,488	\$2,488
Apalachee Center, Inc.***	\$157,671	\$157,671	\$157,671	\$157,671	\$157,671
Total Funding	\$1,744,608	\$1,740,871	\$1,739,582	\$1,739,582	\$1,739,582

*Bond began administration of its Pharmacy Program in April 2010, which was previously administered by FAMU
 **\$147,571 of this allocation funds pharmacy services at Neighborhood Medical Center
 ***Non-mandated mental health services

As part of the annual budget process, each CareNet agency submits a Non-Departmental Funding Request application during the budget development process to the Office of Human Services and Community Partnerships (HSCP). Once an application has been received by

HSCP, the information is submitted to OMB as a budget discussion item. The item details the funding requests for presentation at the final budget workshop. After approval of the budget, the County enters into contracts with each of the providers for provision of services.

Historically, the Board has approved of Bond and NMC's contracts having provisions that some of their funding is to be used for the Agency for Healthcare Administration (AHCA) Medicaid Low Income Pool (LIP) matching funds for expansion of access to healthcare services. Currently, in an effort to continue leveraging County funding to draw down state and federal funds, Leon County remits matching funds to AHCA for LIP awards. The County's local match is based on the annual Federal Medical Assistance Percentages (FMAP) which are used in determining the amount of Federal matching funds for State expenditures for certain social services, and State medical and medical insurance expenditures.

AHCA stipulates that in order for entities like Bond and NMC to receive LIP funds, they must receive local matching dollars or qualified Intergovernmental Transfers (IGT). Only county, city, and taxing districts can provide the match funding. AHCA monitors the agencies through the report submissions. According to AHCA, the ultimate use of LIP funds is to expand medical coverage and access to care to vulnerable populations. Funding can be used for programmatic and/or operational needs, as long as it promotes and results in access to care. Whereas, the County contract requires patients served to meet strict eligibility criteria, the AHCA LIP award funding typically serves a broader population.

The County has continuously attempted to improve the accuracy of the patient information being received from the providers to ensure contract compliance. During the current fiscal year, the County implemented the HSCP Management System, a web-based database used to track patients served through the Primary Healthcare Program. This system was introduced to ensure compliance among the funding partners for the visits reported to Leon County. The system requires documentation for each patient to be uploaded, verifying the patients seen are Leon County residents living at or below 100% of the Federal Poverty Level.

The introduction of the system has been successful. Some minor technical issues occurred, but have been readily resolved by County staff. County staff continues to work with the providers to refine this process and system. One such refinement relates to the number of proofs of residency required for patients' information to be uploaded to the system. It was specified at the beginning of the contract period that two proofs of Leon County residency were required. Feedback from providers has indicated this is onerous for many of the patients they serve and is over and above their usual practices for determining eligibility. In working with the CareNet partners, County staff concurs with this observation regarding using only one proof of residency and has authorized this approach be utilized for billing during the entire current fiscal year.

To date, the system has done what it was designed to do - accurately capture the number of visits for verified Leon County residents living at or below 100% of the Federal Poverty Level. It has shown that the utilization of the population in the coverage gap may be smaller than previously captured based on providers' historical data. This has resulted in lower than anticipated reimbursement requests from providers so far this fiscal year. However, it is anticipated that these numbers will rise in the last quarter of the fiscal year. It should be

noted NMC is expected to increase its capacity in the coming months as it works to hire additional staff and see more patients now that it has been awarded FQHC status.

Staff prepared an analysis comparing patient encounters for FY 2012/13 and FY 2013/14. In 2013, as of March 31, Bond reported 4,881 primary care visits and 267 mental health visits to the County for the 2012/13 fiscal year. As of May 1, 2014, the County's HSCP Management System reports Bond has seen 658 primary care visits and 9 mental health visits. Bond's contract states it must provide the personnel sufficient to provide 4,620 primary care and women and children's visits and 625 mental health visits.

Over the same October 1, 2012 – March 31, 2013 period, NMC reported 2,026 primary care visits and 405 mental health visits. NMC's contract states it must provide the personnel sufficient to provide 3,334 primary care visits and 625 mental health visits. As of May 1, 2014, the County's HSCP Management System reports NMC has seen 801 primary care visits and 191 mental health visits.

Based on the number of patient encounters reported to date, County staff has expressed concern to Bond and NMC about their abilities to meet their contractual obligations to the County. County staff will continue to work with Bond and NMC to address any documentation issues and will allow the single residency documentation to apply retroactively to the beginning of the fiscal year. Per the contract, if the number of encounters are not met, then the County will not provide the funding to NMC and/or Bond; this includes withholding payments to AHCA as matching funds in support of grants.

5. Analysis of Options Presented at the March 11, 2014 Workshop on Primary Healthcare

At the March 11, 2014 Workshop on Primary Healthcare, the Board directed staff to provide an analysis of four alternate options, should the Day of Dialogue not produce the level of collaboration and formal partnership the Board desires of Bond and NMC. These four options are detailed below.

1. *Establish an FQHC with the Board of County Commissioners as the governing body.*

County staff looked at information provided by Pinellas County, Florida, as they currently operate as an FQHC specifically designed to serve their homeless population. Based on information from Pinellas and conversations with HRSA, this is a unique situation established under HRSA in the 1980s, and not easily replicable today. With NMC's recent award of the Service Area Competition for three years, there will not be another SAC until 2017. At this time there is no funding to pursue that would allow Leon County to become an FQHC, therefore this is not a viable option.

2. *Establish an FQHC with a Board comprised of community healthcare partners.*

Under this option, the County would serve as a co-applicant with a non-profit (which would have to be created) comprised of local healthcare partners. The Board and the non-profit would share the responsibility of overseeing operations. Staff has not been able to locate

another county that operates in this way. This option would require the non-profit and the Board to apply for a New Access Point through HRSA. Currently, there are no New Access Points available for funding in the Tallahassee, FL area. If a New Access Point did open up for funding, applying for it would be in competition with NMC for their patients as they already service all of Leon County. Given the fact that no current funding is available to pursue this, staff does not recommend pursuing this option further.

3. *Explore a partnership with North Florida Medical Centers.*

North Florida Medical Centers, Inc. (NFMC), while headquartered in Tallahassee, does not currently provide services in Leon County. NFMC offers services at twelve sites in the surrounding counties.

In order to provide services in Leon County, NFMC must apply to HRSA for New Access Point funding, which would put them in direct competition with NMC. There is no open New Access Point funding opportunity available from HRSA now or in the foreseeable future. This option is not recommended at this time as NFMC does not currently have the infrastructure or approval from HRSA to provide services in Leon County.

4. *Establish Competitive Process for Primary Healthcare Funding.*

Staff has provided a competitive grant process option (Option #2) for Board consideration in Section 6.

6. Options for Modifying the Primary Healthcare Program Funding Process

Leon County's primary healthcare funding has historically supported the local CareNet program. Through existing contracts, the funding provided to NMC and Bond ensures that the County's funding is necessary to support Leon County residents that live at or below 100% of the Federal Poverty Level.

As referenced in Section 1 of this workshop, the Mercer report identified a population of residents who are not eligible for health insurance through Medicaid or the Federal Health Insurance Marketplace. This population lives at or below 100% of the Federal Poverty Level, which is the population Leon County has targeted through its contracts with NMC and Bond. Without the expansion of Medicaid in Florida, this coverage gap will continue to exist, and these residents will continue to lack health insurance coverage. The CareNet program meets a vital need for those in the coverage gap that is not met by any other program.

Given the change in status of NMC to an FQHC and correspondingly, Bond losing this designation, as well as the input received at the Day of Dialogue, staff has prepared a series of updated options for the Board to consider as relates to next year's funding. As part of the budget process, all agencies did submit their FY2014/15 Non-Departmental Funding Request applications by the established deadline. Table 2 summarizes the amounts requested. There was an overall requested increase of \$497,855 over prior year funding. All applications are attached (Attachments #8-12).

Table 2. FY14-15 Funding Requests

Agency	FY 2013/14 Funding	FY 2014/15 Request	Increase/Decrease over prior year
Bond Community Health Center	\$805,140	\$805,140	0
Neighborhood Medical Center	\$466,740	\$826,740	\$360,000
CMS Foundation/We Care	\$130,043	\$200,898	\$70,855
FAMU Pharmacy/Diabetes Partnership	\$177,500	\$244,500	\$67,000
Florida Healthy Kids*	\$2,488	\$2,488	0
Apalachee Center	\$157,671	\$157,671	0
Total	\$1,739,582	\$2,237,437	\$497,855

* The Healthy Kids Corporation/Florida Healthy Kids health insurance program requires local match funds for participation. Currently, Chapter 624.91 F.S. permits local match credits for in-kind contributions and other efforts on behalf of children's health care. During the September 17, 2002 regular meeting, the Board voted to approve funding for eligible children. Historically this has been the amount of money made available to the agency.

Option #1: Modified Allocations to all Current CareNet Partners

The Day of Dialogue presented a unique opportunity to hear from our local healthcare partners about where they see gaps and barriers and how local organizations might work better together to meet the need for access to care. Out of the day came several needs that are not currently being met. The current CareNet partners' funding requests highlight ways in which they plan to meet these needs.

CMS Foundation/We Care and other organizations noted a need for case managers to assist the chronically-ill in navigating the healthcare system and determining the best approach for coordinating these patients' care. CMS Foundation/We Care is currently funded at \$130,043. In We Care's funding request, they ask for \$52,273 to hire a new clinically-trained RN/LPN case manager to manage complex medical cases. In these instances, the patients' care can be coordinated more efficiently by someone with clinical training, as these patients often require additional workup and testing prior to seeing the multiple specialists to which they were referred for care. Additionally, as a lack of care coordination was noted among the partners at the Day of Dialogue, CMS Foundation/We Care also proposes to send a social work case manager to the community health centers at least once a week to assist patients in completing eligibility paperwork in their most familiar setting. This will also allow for more efficient care coordination between the community health centers and CMS Foundation/We Care.

Based on CMS Foundation/We Care's successful model of care and their proposal to implement some of the suggestions to come out of the Day of Dialogue, under this option, it is recommended the County fund 60% (\$31,364) of the RN/LPN case manager, as approximately 60% of We Care's patients reside in Leon County. Total CMS Foundation/We Care funding under this option would be \$168,826.

FAMU, Bond, and NMC came to the Day of Dialogue with a signed agreement setting up a partnership to address morbidity and mortality of African Americans with type 2 diabetes; this effort supports the concept of targeting patient outcomes. FAMU will operate this program through their College of Pharmacy and Center for Health Equity. Bond and NMC will refer patients for assessment and assistance in creating a plan to improve their diabetes related clinical outcomes, with support for improved compliance with indicated treatment plans. FAMU Pharmacy will continue to provide patient education on proper use of medications and assistance with applying for prescription assistance programs for medicines

that are too expensive. FAMU is currently funded at \$177,500 annually. Their request for FY 2014/15 totals \$244,500, which includes personnel funding for this newly created partnership and continued funding of pharmacy personnel who serve Leon County uninsured residents. This option includes fully funding FAMU's request at \$244,500.

Leon County provides funding to Apalachee Center (Apalachee) for mental health services for uninsured residents. At the Day of Dialogue the importance of a patient-centered medical home was discussed by several organizations. Bond has a primary care site on Apalachee's campus which assists Apalachee patients with getting their primary care and mental health care all in one location. Particularly for patients with behavioral health issues, ease of access to care is important and this partnership accomplishes that goal. Apalachee is currently funded at \$157,671, and they are requesting level funding for FY 2014/15 to continue providing services through their psychiatrists, advanced practice registered nurses, and case managers. This option includes continued funding of Apalachee at \$157,671.

It was noted at the Day of Dialogue that Bond and NMC provide care to patients in the communities in which they reside, an important tenet of patient-centered care. They were acknowledged for their commitment to the care of the uninsured and underserved. As discussed in Section 3 of this workshop, both organizations are currently in transition. While Bond has historically been the local FQHC with HRSA funding for primary care, that designation has recently shifted to NMC. At the Day of Dialogue, a panelist noted this shift has created an opportunity for the County to reshape its funding partnership with our primary care providers.

The County desires to maximize its resources to ensure continued access to care for low-income, uninsured Leon County residents. Recognizing that funding and capacity are shifting for both organizations, the following provides a recommended approach and allocation for Bond and NMC.

Bond has identified they want to continue providing the services for which they receive Medicaid Low Income Pool (LIP) award money. The Agency for Health Care Administration (AHCA) has indicated the majority of these dollars will be available to Bond for the upcoming year. In the current year, \$526,917 of the County's funds are committed as matching dollars to AHCA. However, as noted previously in this item, these funds also need to support the patient encounters as addressed in the County's contract. Based on current activity it does not appear that Bond will completely fulfill this contract requirement and therefore will not be reimbursed the full contract amount in the current year.

In addition to the AHCA match program, Bond's application states they plan to streamline their organization by 30% over the next three months. The application also did not request continued funding to support Bond's pharmacy program (historically funded at \$177,500 annually). Considering a 30% reduction in the organization and the anticipated reduction in patient encounters, this recommendation includes \$368,000 for Bond (which is 70% of the current \$526,917 in match allocation). The County would still continue to support leveraging all of these funds.

As identified in their application, NMC is partnering with multiple local healthcare organizations to increase access to care. Bond, FAMU, and We Care are all partners in this endeavor. Investment in NMC to implement their Integrated Health Delivery System

(Attachment #13), composed of these and other partnerships, puts the County's resources behind addressing the gaps in services discussed at the Day of Dialogue. This plan of action by NMC will help alleviate the lack of connected health records and sharing of information which currently hurts the continuum of care for patients. These partners will also be addressing the need to move toward a more patient-centered model of care through this collaborative. NMC's application states these resources will be directed to the population identified in the Mercer report: the uninsured, underinsured, and homeless residents of Leon County. Based on NMC's proposal and willingness to take on several of the gaps and barriers identified during the Day of Dialogue, this option recommends funding NMC at \$798,097.

Table 3. Option #1

Agency	FY 13/14 Funding	FY 14/15 Request	FY 14/15 Recommendation
Bond Community Health Center	\$805,140	\$805,140	\$368,000
Neighborhood Medical Center	\$466,740	\$826,740	\$798,097
CMS Foundation/We Care	\$130,043	\$200,898	\$168,826
FAMU Pharmacy/Diabetes Partnership	\$177,500	\$244,500	\$244,500
Florida Healthy Kids*	\$2,488	\$2,488	\$2,488
Apalachee Center	\$157,671	\$157,671	\$157,671
Total	\$1,739,582	\$2,237,437	\$1,739,582

* The Healthy Kids Corporation/Florida Healthy Kids health insurance program requires local match funds for participation. Currently, Chapter 624.91 F.S. permits local match credits for in-kind contributions and other efforts on behalf of children's health care. During the September 17, 2002 regular meeting, the Board voted to approve funding for eligible children. Historically this has been the amount of money made available to the agency.

Option #2: Modified Allocations and Primary Care Competitive Grant Process Hybrid

The goal of Leon County’s Primary Healthcare Program is to improve the health of citizens by providing quality and cost effective health services through collaborative community partnerships. Recognizing this, under this option specialty care (CMS Foundation/We Care), pharmaceutical services (FAMU Pharmacy), and mental health (Apalachee Center) are funded at the levels recommended in Table 4.

Table 4. Option #2

Agency	FY 13/14 Funding	FY 14/15 Request	FY 14/15 Recommendation
<i>Primary Care Competitive Grant Process</i>			\$1,166,097
Bond Comm. Health Center	\$805,140	\$805,140	TBD
Neighborhood Medical Center	\$466,740	\$826,740	TBD
CMS Foundation/We Care	\$130,043	\$200,898	\$168,826
FAMU Pharmacy/Diabetes Partnership	\$177,500	\$244,500	\$244,500
Florida Healthy Kids*	\$2,488	\$2,488	\$2,488
Apalachee Center	\$157,671	\$157,671	\$157,671
Total	\$1,739,582	\$2,237,437	\$1,739,582

* The Healthy Kids Corporation/Florida Healthy Kids health insurance program requires local match funds for participation. Currently, Chapter 624.91 F.S. permits local match credits for in-kind contributions and other efforts on behalf of children’s health care. During the September 17, 2002 regular meeting, the Board voted to approve funding for eligible children. Historically this has been the amount of money made available to the agency.

Under this option, a competitive grant process would be established to fund **one** primary care provider, although it is encouraged that this need could be met through partnership with additional primary care providers. Leveraging opportunities will only be available to the awarded agency. This will be an outcome-driven process with consideration given to the grantee’s demonstrated abilities to produce the desired outcomes of the grant.

All potential grantees will need to demonstrate:

- the ability to leverage County funding;
- participation in formal partnerships that increases access to care for those in the coverage gap;
- the ability to maintain or increase the level of patient care provided to those in the coverage gap;
- how the organization will address the gaps and barriers identified during the Day of Dialogue;
- and a sustainability plan for what the organization proposes to do.

The primary care grant will be awarded to **one** agency that can support the maximum number of encounters per year to Leon County residents living at or below 100% of the Federal Poverty Level, using the County’s HSCP Management System for verification. The agency can subcontract with other providers and/or establish cooperative agreements as part of their proposal.

Under this model, the awarded agency would be funded \$1,166,097 for a one year term, with the ability to renew for two consecutive terms subject to annual appropriations. Awards would be conferred by the Board in September of each funding year. The grant application process would open on July 1, 2014 and close on August 8, 2014.

The Community Health Coordinating Committee (CHCC) would assist staff in reviewing applications and developing an outcome-based reporting instrument for the primary care grant.

Option #3: Modified Allocations and Formal Partnership for Primary Care

The goal of Leon County's Primary Healthcare Program is to improve the health of citizens by providing quality and cost effective health services through collaborative community partnerships. Recognizing this, under this option specialty care (CMS Foundation/We Care), pharmaceutical services (FAMU Pharmacy), and mental health (Apalachee Center) are funded at the levels recommended in Table 4.

Under this option, \$1,166,097 is set aside for primary healthcare funding. The Board would direct County staff to inform Bond and NMC they must present to the County within 45 days a plan that specifically:

- Identifies how the funds will be allocated between the two organizations.
- Addresses the gaps and barriers identified at the Day of Dialogue in a meaningful way.
- Improves access to care for those in the coverage gap, as identified in the Mercer report.
- Strengthens the healthcare infrastructure for primary care, builds capacity for those in the safety net system, and links the uninsured and underinsured to a medical home, while maximizing available resources to ensure the County's investment results in improved health status for our most vulnerable residents.
- Has been approved by both organizations' boards and submitted in writing to the County.

Staff would provide the result of this effort to the Board in September. If at such time the results do not fulfill the Board's request, Options 1, 2 or other Board direction could be implemented at that time.

Options:

1. Direct the FY2014/2015 Budget consider primary healthcare funding of \$1,739,582 allocated as follows:
 - Bond Community Health Center: \$368,000
 - Neighborhood Medical Center: \$798,097
 - CMS Foundation/We Care: \$168,826
 - FAMU Pharmacy/Diabetes Partnership: \$244,500
 - Florida Healthy Kids: \$2,488
 - Apalachee Center: \$157,671

2. Direct the FY2014/2015 Budget consider primary healthcare funding of \$1,739,582 allocated as follows:
 - CMS Foundation/We Care: \$168,826
 - FAMU Pharmacy/Diabetes Partnership: \$244,500
 - Florida Healthy Kids: \$2,488
 - Apalachee Center: \$157,671
 - Primary healthcare funding of \$1,166,097 allocated to ONE provider through a competitive grant process utilizing the criteria outlined in the workshop item; subcontracting and cooperative agreements may be utilized.

3. Direct the FY2014/2015 Budget:
 - A) Consider primary healthcare funding allocated as follows:
 - CMS Foundation/We Care: \$168,826
 - FAMU Pharmacy/Diabetes Partnership: \$244,500
 - Florida Healthy Kids: \$2,488
 - Apalachee Center: \$157,671

 - B) Set aside \$1,166,097 for primary healthcare funding and direct the County Administrator to inform Bond and NMC to present the County within 45 days a plan that specifically:
 - Identifies how the funds will be allocated between the two organizations.
 - Addresses the gaps and barriers identified at the Day of Dialogue in a meaningful way.
 - Improves access to care for those in the coverage gap, as identified in the Mercer report.
 - Strengthen the healthcare infrastructure for primary care, build capacity for those in the safety net system, and link the uninsured and underinsured to a medical home, while maximizing available resources to ensure the County's investment results in improved health status for our most vulnerable residents.
 - Has been approved by both organizations' boards and submitted in writing to the County.

Recommendation:

Board direction.

Attachments:

1. Mercer Report
2. NACo Day of Dialogue Summary Report
3. Bond's Letter to Leon County regarding Transition
4. Bond's Transition Work Plan
5. NMC's SAC Implementation Plan
6. MOA between Bond, NMC and FAMU
7. Email correspondence regarding merger between Bond and NMC
8. Bond's FY14-15 Non-Departmental Application
9. NMC's FY14-15 Non-Departmental Application
10. We Care's FY14-15 Non-Departmental Application
11. FAMU Pharmacy's FY14-15 Non-Departmental Application
12. Apalachee's FY14-15 Non-Departmental Application
13. NMC Integrated Health Delivery System Summary



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THE IMPACT OF THE AFFORDABLE CARE ACT ON LEON COUNTY'S CARENET PROGRAM

FEBRUARY 28, 2014

**THE IMPACT OF THE AFFORDABLE CARE ACT ON LEON
COUNTY'S CARENET PROGRAM**

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Introduction

Leon County has long been committed to improving the health of its residents. Knowing that healthcare coverage is key to accessing necessary medical and behavioral health services, the County, through unanimous approval of funding by the County Board of Commissioners, launched the CareNet program in 2001 to provide healthcare services for uninsured and indigent residents of Leon County. For the past 13 years, uninsured Leon County residents have been able to access needed primary care and specialty services that likely would have been unattainable without the support of the CareNet program.

Given the comprehensive and substantial changes made by the Affordable Care Act (ACA) to the health care system, Leon County sought an analysis from Mercer Government Human Services Consulting (Mercer), a specialty group within Mercer Health & Benefits, to determine the potential impact of the federal healthcare reform law on the CareNet Program. The goals of the project were to assist the County in determining whether there are provisions under the ACA that may provide options for insurance coverage for the individuals currently served through CareNet.

Mercer requested and obtained information and data on the CareNet program from Leon County Office of Human Services and Community Partnerships staff. Mercer's work during this phase of the project focused on researching potential options related to alternative coverage for individuals served through the CareNet program. No analysis of potential enrollment and financial impacts of alternative coverage were conducted during this phase of the project. The report presents seven ACA provisions that could have a potential impact on either individuals served through the CareNet program or providers of the program.

Leon County's CareNet Program

CareNet is a public/private partnership designed to provide cost-effective primary and specialty healthcare for Leon County's uninsured residents on a sliding fee discount based upon verification of income and residency. The program enables access to primary and specialty healthcare services for many Leon County residents who would otherwise be unable to obtain these needed services without the support of county funding. CareNet program objectives include:

- Providing access to primary care and specialty medical services in a cost effective and efficient manner.
- Leveraging county, state, federal, and private funds to the highest extent possible.
- Maintaining continuity of primary care through services provided by CareNet partners.

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- Reducing non-emergency hospital emergency room visits by Leon County residents.

The CareNet model was implemented in 2001 based on the unanimous approval of funding by the County Board of Commissioners for healthcare services for uninsured and indigent residents of Leon County. Since that time, the County has provided funding to CareNet agencies to provide critical health services to uninsured and indigent residents. Over the years, through various funding streams and by matching and leveraging federal funds, the County has been able to maximize its return on investment in providing primary and specialty care to eligible persons. Based on the value of services reported by CareNet agencies, the community benefit realized is \$5.67 in health services for every \$1.00 of County tax revenue expended for the County's Primary Healthcare Program.¹ Funding in recent years by the County has remained fairly stable at approximately \$1.7 million per fiscal year.

The CareNet program is administered by Leon County's Office of Human Services and Community Partnerships, Primary Health Care Program. As the administrative entity, the Office of Human Services and Community Partnerships partners with community health providers in forming the CareNet delivery system to provide a continuum of primary and mental health services, prescription drug coverage and assistance, and specialty care. Primary and specialty care services are provided by the following CareNet Partners: Neighborhood Medical Center (NMC), Bond Community Health Center (Bond CHC), specialty doctors of the We Care Network (sponsored by the Capital Medical Society), the Florida A&M University (FAMU) College of Pharmacy, Tallahassee Memorial HealthCare, and the Leon County Health Department.

In order for persons to be eligible for CareNet services, they must be a resident of Leon County with an income below 100% of the federal poverty level (FPL) and not eligible for any other government sponsored health care programs or subsidies. According to the Robert Wood Johnson County Health Rankings for 2013, Leon County's uninsured population is approximately 17% with the population estimated at 277,971, or approximately 47,225 uninsured individuals.²

Participating providers recognize the interrelationship between physical and behavioral health. CareNet allocates funds to three community clinics: Bond CHC, NMC, and Apalachee Center to integrate behavioral health services in the primary care setting to provide screening and treatment of behavioral health conditions.

¹ Consideration of Bond Community Health Center, Inc. FY 2014 Primary Healthcare Funding, September 10, 2013, page 6.

² 2013 County Health Rankings & Roadmaps, Robert Wood Johnson Foundation, found at <http://www.countyhealthrankings.org/app#/florida/2013/leon/county/outcomes/overall/snapshot/by-rank>

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When a patient's care needs exceed those of a partnering primary care provider, CareNet relies on the Capital Medical Society Foundation — We Care Network, which utilizes a network of volunteer dentists and specialty physicians to provide specialty medical services and dental services to eligible patients.

The CareNet program also provides pharmacy services for those in need of this benefit. CareNet utilizes the FAMU College of Pharmacy and Pharmaceutical Sciences to provide pharmacy services at NMC and Leon County Health Department. As a federally qualified health center (FQHC), Bond CHC administers pharmacy services at its health center as a 340B covered entity. Prescription medications are dispensed with co-pays and prescription assistance is provided to eligible patients. Both Bond and NMC provide educational services on appropriate drug utilization and counseling on the availability of the Patient Assistance Program (PAP) to assist patients in receiving cost-prohibitive, medically necessary brand medications.

Under current contracting provisions, which are renewed annually based on each provider's funding request, primary care visits at Bond CHC and NMC are billed at \$125 per visit, not to exceed the total amount of the contract. Total contract amounts are \$805,140 and \$466,740 for Bond CHC and NMC respectively. While Bond CHC and FAMU receive funding for pharmacy staffing, a small portion of FAMU funding is used for MedData and supplies.

NMC and Bond CHC each receives \$50,000 to provide behavioral health services integrated in the primary care setting. Each health center is reimbursed \$80 per patient visit for behavioral health services, up to 625 patient visits per provider agency. Apalachee receives \$157,671 to fund behavioral health patient visits. Funding to the We Care Network in fiscal year (FY) 2011/12 totaled \$130,040 to fund project and case management services and patient assistance. Overall, program data and utilization information for FY 2011/2012 includes the following:

- CareNet helped to fund more than 20,000 visits for primary care and mental health services for uninsured and indigent residents at NHS, Bond CHC, and Apalachee.
- Apalachee provided 997 patient visits that included services such as psychiatric evaluations and medication management.
- We Care reports that more than \$3.3 million in donated specialty medical care was provided. Donated dental care valued \$128,410. During this FY, 514 medical patients, and 112 dental patients were served.
- Bond CHC reports that over 46,000 prescriptions have been filled, valued at more than \$4.4 million. Bond CHC also operates a PAP, which provides discounted brand or specialty drugs. Bond CHC provided 1,218 PAP prescriptions at an estimated value of \$1.1 million. Through the County's free Prescription Drug Discount Card Program, County residents were also able to receive substantial discounts on more than 4,200 prescriptions not covered by insurance.

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The Leon County Office of Human Services and Community Partnership conducts audits of Bond CHC, NMC, We Care, and Apalachee to ensure compliance with CareNet program rules. Recently the Office implemented new software to ensure accurate verification of eligibility for the CareNet program. The client-specific information that providers upload in the system will enable the County to determine the number of unduplicated individuals served through the program and track where individuals receive services. This information will be helpful to the County as they plan future service and budget needs for the program.

Relevant Key Provisions of the ACA and Their Impact on the CareNet Program

The Patient Protection and Affordable Care Act (Pub. L. 111–148) was enacted on March 23, 2010, and the Health Care and Education Reconciliation Act (Pub. L. 111–152) was enacted on March 30, 2010. These laws are collectively known as the Affordable Care Act (ACA). The ACA created various opportunities for the nation's uninsured to gain access to health care coverage and services through both public programs and private coverage. Detailed below are the key ACA provisions that could impact individuals served through the CareNet program and/or providers who provide services funded by CareNet.

Medicaid Expansion

The ACA provides that beginning January 1, 2014, or sooner at the State's option, states must expand Medicaid to certain adults who are under age 65 with income up to 133% of the FPL. This provision not only expands Medicaid to include a group that is not generally eligible for Medicaid (childless adults who do not have a disability determination), but also raises Medicaid's income eligibility level for parents and childless adults to 133% of the FPL (effectively 138% FPL due to inclusion of a standard 5% income disregard)³. This represents the single largest eligibility expansion since the start of the Medicaid program in 1965.

As a result of the U.S. Supreme Court's ruling in *National Federation of Independent Business v. Sebelius*, Medicaid expansion is now optional for states. At this time, Florida has not opted to undertake the Medicaid expansion. However, the Medicaid expansion is included in this report as this ACA provision would have the greatest impact on the CareNet program if the State decided in the future to adopt expansion of the Medicaid program.

If adopted by the State of Florida, expansion of Medicaid through the ACA would extend healthcare coverage to both Leon County parents and childless adults up to age 65 with incomes of 138% FPL or less. Based on the CareNet income eligibility requirement of less than

³ 42 U.S.C. § 1396a(a)(10)(A)(i)(VIII), codifying ACA § 2001(a)(1). The ACA also provides for a standard income disregard of 5% FPL, effectively extending Medicaid eligibility to 138% FPL. ACA § 2002(a), adding 42 U.S.C. § 1396a(e)(14)(I).

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100% FPL, it is presumed that a majority of the individuals currently served by the CareNet program would be eligible for Medicaid if Florida elected to expand Medicaid.⁴ These individuals would receive a comprehensive benefit package that provides 10 essential health benefits, as required by the ACA and its implementing regulations. The essential health benefits are:

- Ambulatory patient services.
- Emergency services.
- Hospitalization.
- Maternity and newborn care.
- Mental health and substance use disorder services, including behavioral health treatment.
- Prescription drugs.
- Rehabilitative and habilitative services and devices.
- Laboratory services.
- Preventive and wellness services and chronic disease management.
- Pediatric services, including oral and vision care.

Currently, Florida's Medicaid program covers adults who are parents with incomes up to 31% FPL, which for a household of two is a monthly income of \$387 or less, and a monthly income of \$486 or less for a household of three.⁵ Non-disabled childless adults are not eligible for the Florida Medicaid program.

Residents in Leon County who do qualify for Medicaid, including some populations with long-term care needs, are transitioning to Florida's Statewide Medicaid Managed Medical Assistance program (MMA). Some of the key goals of MMA are to improve outcomes, improve customer satisfaction, and reduce and control costs. The goals support the key principles of the program to improve care coordination and patient care, increased consumer protections, and enhance fiscal responsibility⁶. The state will be implementing the non-long term care portion of MMA beginning in May 2014, transitioning in residents through a phase-in approach. Leon County is scheduled to be one of the first regions to be phased into the MMA program in May 2014 along with Regions 3 and 4. Each month after May, two to three other regions will be phased in with implementation expected to be completed by August 2014. Currently, Prestige and Staywell (a WellCare company) are the two MMA health plans that will be available for residents in Leon County to receive their Medicaid managed care benefits.

⁴ To be eligible for the Medicaid program, individuals must meet both income and citizenship requirements. The CareNet program collects residency information but not proof of citizenship, so it cannot be determined if all individuals served through the CareNet program would be eligible for Medicaid under the ACA expansion.

⁵ Medicaid income levels from CMS State Medicaid and children's health insurance program (CHIP) Income Eligibility Standards Effective January 1, 2014 found at: <http://www.medicaid.gov/AffordableCareAct/Medicaid-Moving-Forward-2014/Downloads/Medicaid-and-CHIP-Eligibility-Levels-Table.pdf>

⁶ State of Florida Implementation Plan — Managed Medical Assistance Program. October 2013.

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Leon County residents who are not eligible for Medicaid but with incomes less than 100% FPL, fall into a group known as the "coverage gap." This term is used to describe the situation for people when their income exceeds the eligibility threshold for Medicaid but is less than 100% FPL, the income level at which individuals are eligible for subsidies when purchasing healthcare coverage through the Health Insurance Marketplace (Marketplace), also known as the Health Insurance Exchange. As described later in this document, the Marketplace is where individuals may enroll in Medicaid or receive health care coverage through qualified health plans (QHPs) sold on the Marketplace. Depending on income, individuals may also receive premium assistance through the Marketplace.

Parents and non-disabled childless adults age 65 or less whose income is in the range in the chart below will be ineligible for both Florida Medicaid and subsidy assistance through the Marketplace.^{7a}

Household Size	Parents Annual Income over 31% FPL and up to 100% FPL	Childless Adults Annual Income Less Than 100% FPL
1	> \$3,468 and < \$11,670	< \$11,670
2	>\$4,644 and < \$15,730	< \$15,730
3	>\$5,844 and < \$19,790	< \$19,790
4	>\$7,032 and < \$23,850	< \$23,850

The table below shows the income eligibility thresholds for the newly eligible population (parents and non-disabled childless adults) in states that expand Medicaid under the ACA 2014 FPLs.⁹

Household Size	138% FPL (133% FPL with 5% Standard Income Disregard)
1	\$16,105
2	\$21,707
3	\$27,310

⁷ Medicaid income levels from CMS State Medicaid and CHIP Income Eligibility Standards Effective January 1,2014 found at: <http://www.medicaid.gov/AffordableCareAct/Medicaid-Moving-Forward-2014/Downloads/Medicaid-and-CHIP-Eligibility-Levels-Table.pdf>

⁸ The Federally-facilitated Marketplace began using the 2014 FPL on February 10, 2014.

⁹ Federal Registrar Vol. 79, No. 14, January 22, 2014 found at <http://www.gpo.gov/fdsys/pkg/FR-2014-01-22/pdf/2014-01303.pdf>. The poverty levels provided in the table are for the contiguous states and DC. Alaska and Hawaii have different poverty level guidelines, also found in the above citation.

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Household Size	138% FPL (133% FPL with 5% Standard Income Disregard)
4	\$32,913
5	\$38,516
6	\$44,119
7	\$49,721
8	\$55,324
For each additional person, add	\$4,060

In the absence of a Medicaid expansion, CareNet remains a critical source of health care coverage for Leon County's non-disabled childless adults with incomes below 100% FPL and parents with incomes between 31% and 100% FPL.

Alternatives to Medicaid Expansion Under the ACA

As of January 28, 2014, Florida is one of 19 states that have opted not to undertake the Medicaid expansion. Twenty-six states (including D.C.) have elected to expand Medicaid and six states are still debating the issue. There is not a deadline for when States must decide on expansion. However, the ACA requires the federal government to cover 100% of the costs of the expansion population from 2014 to 2016 with a gradual decline in the federal match rate to 90% in 2020 and continuing at that percentage thereafter. As such, states that decide on expansion after January 1, 2014 will not receive the maximum possible federal reimbursement.

Some states that have faced opposition to expanding Medicaid under the parameters of the ACA have opted to expand under a Medicaid waiver authority granted by the Centers for Medicare and Medicaid Services (CMS). These waiver requests seek to use Medicaid funds to pay for the premium assistance of Qualified Health Plans on the Marketplace for newly eligible Medicaid beneficiaries in lieu of providing coverage through their traditional Medicaid program. CMS has recently approved two such requests — Arkansas and Iowa — under a Section 1115 demonstration waiver. Other states have shown interest in this premium assistance model and are in the process of developing their official submissions to the federal government.

The Premium Assistance Programs thus far approved require all newly eligible beneficiaries between the ages of 19–64 and, in some instances, parents and childless adults up to 138% of the FPL to enroll in a Health Insurance Marketplace QHP (see section below for further discussion of the Marketplace) to receive benefits as defined in the state's Medicaid Alternative Benefit Package (ABP). Those that are determined medically frail are exempted from mandatory enrollment but can choose to opt into such program(s).

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States can also implement such programs under the current State Plan authority. CMS still considers the beneficiaries under these programs as Medicaid beneficiaries and, as such, they are afforded the benefits and cost sharing protections of traditional Medicaid beneficiaries.

Below is a comparison of the two Premium Assistance programs recently approved by CMS — the Arkansas and Iowa models.

Arkansas Model

Arkansas' path towards the Premium Assistance began with the passage of the Health Care Independence Act of 2013 that called for the state Department of Human Services to reform the Medicaid program and establish the Private Option Program. The intent of the Private Option Program was to create an integrated and market-based approach to covering the state's low-income individuals through QHP coverage in the Marketplace. The Private Option received approval by CMS in December 2013. As of January 18, 2014, the Private Option program has received a total number of 129,186 applicants from both the state and federal levels¹⁰.

The Private Option program also received approval to allow for cost sharing for enrollees between 100–138% FPL not to exceed 5% of their annual income. Beneficiaries will not be responsible for any premium costs with the State paying the premiums directly to the QHPs. The benefit package for the QHPs would be the state's Medicaid ABP, which Arkansas has chosen to be the same as the Medicaid state plan benefit package with wraparound benefits provided on a fee-for-service basis¹¹. Arkansas also received approval under the Private Option program to ensure that at least one QHP will contract with at least one FQHC/Rural Health Center (RHC) to ensure access to safety-net providers for their beneficiaries.

Iowa

Iowa's approval closely followed that of Arkansas' and can be considered a very similar program. Iowa also achieves Medicaid expansion through a premium assistance model for those with incomes between 100–133% FPL but also has a separate wellness program for individuals with incomes between 0–100% FPL. Both programs operate under separate Section 1115 demonstration waivers with the same goal to use Medicaid funds to pay for premiums for QHPs on the Marketplace for all newly eligibles between the ages of 19–64 years of age.

Under Iowa's model, the premium assistance demonstration beneficiaries will be responsible for monthly premiums that cannot exceed 2% of their annual household income. Premiums are waived for the first year and can continue to be waived in future years if the beneficiary completes specific health improvement activities. The state is required to grant hardship waivers

¹⁰ State Approaches to Medicaid Expansion Webinar hosted by State Refor(u)m. January 27, 2014.

¹¹ Medicaid Expansion Through Premium Assistance: Arkansas, Iowa, and Pennsylvania's Proposals Compared. The Kaiser Commission on Medicaid and the Uninsured. December 2013.

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to those who can prove that paying premiums would be a financial hardship. The Iowa model requires beneficiaries to pay a co-pay for non-emergency use of the emergency room.

Iowa's benefit package for its premium assistance program is the Medicaid ABP, which in Iowa is equivalent to the state employee benefits package. Dental will be provided separately through the state's currently capitated commercial dental plan.

Like Arkansas, Iowa also ensures that beneficiaries will have access to at least one QHP that contracts with at least one FQHC/RHC¹². This requirement will help ensure that the FQHCs remain integral to the local provider network and an option for those beneficiaries that are used to receiving their services from such entities.

Health Insurance Marketplace (Marketplace or Health Insurance Exchange)

As of October 1, 2013 (with coverage effective January 1, 2014), individuals and small businesses in Florida were able to purchase comprehensive private health insurance through the Health Insurance Exchange (Marketplace). Florida elected not to establish a state-based marketplace; thus Florida's Marketplace is operated by the U.S. Department of Health and Human Services (HHS) as a federally-facilitated Marketplace. The Marketplace facilitates the purchase of insurance coverage by qualified individuals through QHPs and assists qualified employers in the enrollment of their employees in a QHP through the Small Business Health Options Program Marketplace.

Only plans certified by the Marketplace as a QHP can be sold on the Marketplace. The ACA sets forth varying levels of coverage that QHPs may offer. The levels of coverage are distinguished by the percentage of health care expenses that, on average, a plan will cover for a typical population. This is known as the actuarial value of the plan. The ACA requires four levels of coverage with different actuarial values: Bronze, Silver, Gold, and Platinum levels. The amount of out-of-pocket expenses an individual must pay for their health expenses is determined by the actuarial value of the plan. For example, a plan with an actuarial value of 80% would generally be expected to pay 80% of the individual's health care costs, with the individual paying 20% of the costs through deductibles, copays, and coinsurance. The actuarial value of each of the ACA mandated levels are identified in the table below.¹³

¹² Ibid.

¹³ ACA Sec. 1302(d)

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ACA Metallic Coverage Tiers

Level	Actuarial Value	Individual's Expected Share of Costs
Bronze	60%	40%
Silver	70%	30%
Gold	80%	20%
Platinum	90%	10%

QHPs must agree to sell, at a minimum, a Silver and Gold plan on the Marketplace. To make coverage through the Marketplace more affordable, the ACA limits the total amount of out-of-pocket costs a person will pay through premium and cost-sharing subsidies. Tax credits to assist with premium payments are given to U.S. citizens and legal immigrants with incomes between 100% and 400% FPL. Persons must not be eligible for coverage under Medicaid or enrolled in employer sponsored coverage to qualify for premium tax credits and cost-sharing subsidies. Also, individuals eligible for employer-sponsored coverage that is affordable (single coverage premium is no more than 9.5% of household income) and has a minimum 60% actuarial value, do not qualify for premium or cost-sharing subsidies. Eligible applicants can apply their tax credit towards an advanced payment on their premium each month.

Income Levels Eligible for Subsidy Assistance Through the Marketplace (Between 100% and 400% FPL)

2014 FPLs

Household Size	100% FPL	Premium Subsidy Threshold (400% FPL)
1	\$11,670	\$46,680
2	\$15,730	\$62,920
3	\$19,790	\$79,160
4	\$23,850	\$95,400
5	\$27,910	\$111,640
6	\$31,970	\$127,880
7	\$36,030	\$144,120
8	\$40,090	\$160,360

The amount of tax credit given to a person is based on the individual's household income level. The ACA mandates that for persons between 100% and 400% FPL, their premium payment

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must not be greater than 9.5% of their income using the second lowest cost silver plan as the benchmark. The scale for premium payments as a percent of income level is as follows:¹⁴

Income Level	Premium as a Percent of Income
100–133% FPL	2% of income
133–150% FPL	3–4% of income
150–200% FPL	4–6.3% of income
200–250% FPL	6.3–8.05% of income
250–300% FPL	8.05–9.5% of income
300–400% FPL	9.5% of income

In addition, persons with incomes between 100 and 250% FPL are eligible for further assistance on their cost-sharing if they enroll in a silver plan. This is intended to prevent those with the lowest incomes from paying high out-of-pocket costs for health care services. These out-of-pocket costs are reduced for the eligible individuals by allowing them to enroll in plans with higher actuarial value — meaning that the health plan pays for a greater share of its covered benefits. While premium tax credits are given for plans that pay at least 70% of the cost of covered benefits, persons who enroll in a Silver Plan at 200–250% FPL are guaranteed access to plans which pay for 73% of covered benefits; at 150–200% FPL, one can access plans that pay for 87% of covered services; and for persons 100–150% FPL, plans will pay 94% of covered services.

To better understand the application of the premium tax credits and cost-sharing assistance, several scenarios are provided in the Appendix A. Mercer developed the scenarios using information available at the Healthcare.gov website on health care coverage available through the federally-facilitated Marketplace for Leon County residents.

As CareNet’s eligible population is 0–100% FPL, and health insurance subsidies are offered for persons 100–400% FPL, there should be no overlap in members of CareNet and persons obtaining coverage through the Marketplace. Therefore, to insure individuals eligible for subsidies avail themselves of this option, the County’s CareNet providers can direct anyone over 100% FPL to the Marketplace for health insurance coverage. The County has recently implemented a software system that verifies the eligibility of CareNet members. This system can be used to verify that CareNet funds are not being used to provide services to individuals who can be guided to pursuing health insurance coverage through the Marketplace.

Streamlined Enrollment and Enrollment Assistance

The ACA and its implementing regulations intend to support a simple, streamlined and integrated enrollment process that reduces the complexity and paperwork-intensive process for

¹⁴ Kaiser Family Foundation, “Explaining Health Care Reform: Questions About Health Insurance Exchanges.”

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Medicaid enrollment and some health insurance plans. On April 30, 2013, HHS released the model single, streamlined application for determining and re-determining eligibility for Medicaid and premium tax credits/cost-sharing subsidies (insurance subsidies) in a federally-facilitated Marketplace.¹⁵ The form encourages the use of online applications and allows the verification of eligibility via electronic interfaces, thus limiting the amount of information required to re-determine eligibility.

The ACA requires marketplaces to provide application and enrollment assistance through Navigators and Certified Application Counselors (CACs) who will often be stationed at community health centers such as Bond CHC and NMC. Navigators and CACs provide impartial information to consumers about health insurance, the Marketplaces, QHPs, insurance subsidies, and Medicaid. These assisters do not make eligibility determinations, nor do they select health plans for consumers or enroll applicants into QHPs.

Bond CHC was awarded \$138,189 in federal grant funding to conduct outreach and enrollment assistance for persons applying for coverage through the Marketplace or Medicaid. While NMC did not receive grant funding, they may still assist individuals through the eligibility and enrollment process to help decrease the number of uninsured that they serve. It is expected that the combination of a streamlined enrollment process and application assistance will increase the number of people in Bond CHC and NMC's current patient population who have private insurance obtained through the Marketplace.

Employer Coverage

Another provision within the ACA that will impact Leon County is the requirement that employers (whether for-profit, nonprofit or governmental) with at least 50 or more full-time equivalent employees (including seasonal workers) must offer affordable group health coverage with a minimum value to full-time employees or face a penalty ("pay or play"). The original implementation date of this provision was January 1, 2014 but has been postponed by the Internal Revenue Service (IRS), who is responsible for implementing this provision, to January 1, 2015. For employers that "play" and provide coverage, the rule also includes the obligation to offer coverage to full-time employees' children (but not spouses or domestic partners). The ACA treats those that work an average of 30 or more hours per week as a full-time employee. In addition, the provision includes coverage for new full-time employees in that they must be offered coverage within the initial three months of employment if their hours are 30 or more hours of service per week. Employers must provide access to coverage that includes the minimum essential coverage that is affordable and has at least a minimum 60% value.

¹⁵ CMCS Information Bulletin, April 30, 2013, Model Eligibility Application and Guidance on State Alternative Applications. The informational bullet notes that "For states in which there is a Federally-facilitated Marketplace the state's Medicaid/CHIP agency will accept the model form and may, in addition, develop an alternative application approved by CMS (page 1).

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Access to employer-provided minimum essential coverage that is affordable and provides minimum value will disqualify individuals from receiving subsidies through the Marketplace. Final IRS regulations confirm that employer coverage is affordable if an employee's cost for self-only coverage under the least expensive option providing minimum value is 9.5% or less of household income (for 2014).¹⁶ When an employer offers family coverage, the *self-only* cost — not the cost for spousal or dependent coverage — still determines whether the employer coverage is affordable for eligible family members. This uniform threshold will make it harder for low-income family members with access to employer coverage to qualify for subsidized QHP coverage through the Marketplace.

In addition, large employers in the 25 states that have not expanded Medicaid and with eligible employees between 100–138% FPL who enroll in the Marketplace for the premium and cost sharing assistance, face penalties for those employees that forgo employer-sponsored coverage for the Marketplace. It is unknown at this time how many employees may in fact drop coverage because of affordability and enroll in the Marketplace for the financial assistance it provides. These individuals in the 100–138% FPL range could be eligible for Medicaid in states that expand. Employers would not face these penalties in that case.

Once the requirement of employer-sponsored coverage is implemented in 2015, Leon County's CareNet program may see some of the currently uninsured residents begin to gain access to coverage from their employers. The question remains for the lower income residents of Leon County whether or not they will be able to afford the employer sponsored coverage option or seek alternatives through the Marketplace. Leon County may consider collecting employment information along with income and residency verification for access to the CareNet program in order to determine whether the employer responsibility will impact those seeking services through the CareNet program.

New Coverage Option for Young Adults

The ACA also allows children to be covered on a parent's health insurance plan until they turn 26 years of age. Children can join or remain on their parents' plan even if they are married, not living with their parents, attending school, not financially dependent on their parents, or eligible to enroll in their employer's plan. As a result, individuals under the age of 26 who are currently receiving services funded by CareNet may be eligible to enroll in their parents' healthcare coverage.

This new provision could also impact patients outside of the CareNet program who are served by CareNet providers. If these patients become eligible for insurance under their parents' plans,

¹⁶ Health Insurance Premium Tax Credit final regulations, January 30, 2013, found at <http://www.irs.gov/PUP/newsroom/TD%209611.pdf>

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they will have new options for their health care provider, which may impact the patient population at Bond CHC and NMC.

Essential Community Providers and FQHCs

As patients at Bond CHC and NMC enroll in QHPs through the Marketplace, they will have an opportunity to see providers within their health plan's network who offer services outside of these clinics. However, the ACA also provides opportunities for patient enrollment to increase in community health centers, such as Bond CHC and NMC, through provisions regarding inclusion of Essential Community Providers (ECPs), or those that serve predominately medically underserved individuals, in QHP provider networks.

While QHPs are not required to include every ECP in their networks, the ACA requires QHPs to include "a sufficient number and geographic distribution of essential community providers, where available, to ensure reasonable and timely access to a broad range of ECPs."¹⁷ For 2014, the Centers for Medicare and Medicaid Services (CMS) mandated that a QHP must have at least 20% participation of ECPs in the plan's service area with at least one ECP in each county. At minimum, a QHP must demonstrate at least 10% participation of ECPs and provide a justification for its failure to reach 20%. QHPs that contract with FQHCs must pay the health center the same amount it would receive under Medicaid prospective cost-based reimbursement.

For states that do not expand Medicaid, the option of obtaining low-cost health care at local Community Health Centers (CHCs) is important particularly for those in the coverage gap. Recognizing the vital safety net that CHCs play in the nation's health care system, \$11 billion in new funds were allocated under the ACA to help health centers expand operations and improve the scope of services provided (medical, dental, and behavioral). Bond CHC, as a FQHC, is likely to have benefited from the more than \$161 million of the funding that Florida received to support local FQHCs' current operations and to establish new medical sites and expansion of services. CHCs like Bond and FQHCs will be able to expand or upgrade existing facilities and, in some cases, build new ones. As a result, this provision could be a factor in supporting CHCs and FQHCs to maintain or increase their patients.

Basic Health Plan

The ACA provided states another option to offer health care coverage to low-income individuals otherwise eligible to purchase coverage through the Marketplace known as the Basic Health Plan (BHP). The BHP, as authorized under Section 1331 of the ACA, is for individuals under age 65 with household incomes between 138–200% FPL who are otherwise not eligible for Medicaid, CHIP, or affordable employer coverage. The BHP goes into effect on January 1, 2015.

¹⁷ Potential Impacts of the Affordable Care Act on Safety Net Providers in 2014, " HRSA Office of Policy Analysis

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Federal funding for the BHP is required to equal 95% of the value of the amount of premium tax credit and federally-funded cost sharing reductions that BHP enrollees would have received had they been enrolled in a QHP through the Marketplace. CMS is continuing to release guidance on the BHP with a proposed funding methodology issued in the Federal Register in December 2013. The goal of the funding methodology is to ensure that federal payments to a state reflect actual BHP enrollment during the year within each applicable category that takes into account various factors including age range, geographic area, coverage status, household size, and income range.

Interest in the BHP will most likely be coming from states expanding Medicaid (or have a Section 1115 demonstration waiver for people up to 200% FPL) and have a state-based Marketplace. States may want to consider this option to create a program that is more like Medicaid in order to reduce churning and to make it easier for those whose incomes fluctuate around 138% FPL.

The BHP program does not have an immediate impact on the uninsured residents of Leon County. As stated previously, those Leon County uninsured residents between 100–400% FPL will be eligible to receive subsidies through the Marketplace starting January 1, 2014 or may be eligible for employer-sponsored coverage effective January 1, 2015.

Summary of Findings and Recommendations

Given Florida's decision that, at this time, the State will not expand the Medicaid program beyond its current eligibility thresholds, the continuation of County funding for Leon County provides a critical source of healthcare funding for uninsured residents of the County. It is important that CareNet funding be directed to uninsured residents with household incomes of less than 100% of FPL as individuals above that income level can attain coverage through the Marketplace and, depending on income, receive premium tax credits and cost-sharing subsidies. It is recommended that the Office of Human Services and Community Partnerships use the newly implemented software system as an audit tool to ensure providers comply with CareNet eligibility rules.

It is understood that data collection can be expensive and time-consuming both for County staff and providers. However, additional data, such as age and employment status, could assist the County in planning for the program's future needs and help identify specific individuals who may have other healthcare coverage options, such as employer-sponsored coverage and dependent coverage through parents' plans.

Bond CHC and NMC serve as an important health care safety net for Leon County residents. Their participation as ECPs in the Florida Blue QHP that serves Leon County residents will be important to maintain provider-patient relationships with residents previously served through CareNet and now enrolled in Florida Blue through the Marketplace. In addition, Bond CHC and NMC's participation in Florida Blue's provider network will also help support the long-term viability of the agencies by increasing its patient base of insured individuals. In addition, both

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can play a pivotal role in being part of the safety-net network in the statewide Medicaid managed care program that will be implemented in Leon County beginning in May 2014.

Leon County should continue to monitor the State's decision regarding Medicaid expansion and the Basic Health Plan as the adoption of either option would have a significant impact on the CareNet program.

Potential Impact on Other Leon County Programs For Future Exploration

In researching ACA provisions that could impact the CareNet Program, Mercer identified other provisions that could impact other County-funded programs and services. Listed below are provisions in the ACA that Leon County may wish to consider exploring in the future as related to other County programs.

- **Incarcerated individuals** — The ACA includes obligations for certain inmates and probationers. Individuals incarcerated pending the disposition of charges and probationers have an obligation under the ACA to obtain health care coverage as a result of the "individual mandate" provision. Sentenced inmates are exempt from the individual mandate if incarcerated for more than a month. Individuals who are incarcerated pending the disposition of charges are eligible for enrollment (and for premium tax credits and cost-sharing reductions if their income is at the applicable level). For inmates pending the disposition of charges enrolled in a QHP, the QHP is a potential source of payment for the inmate's health care costs. This ACA provision has led several counties throughout the nation to evaluate the benefits of helping inmates obtain coverage through a QHP while in jail pending disposition of charges as the county may then be able to bill the QHP for healthcare services provided to the individual while incarcerated. Obtaining coverage through the QHP while incarcerated is also beneficial for those inmates who need medicines, behavioral health and other healthcare services immediately upon discharge. It should also be noted that Medicaid will pay for institutional services if the incarcerated Medicaid beneficiary becomes a patient of an institution such as an acute care medical hospital. Medicaid eligibility can be suspended rather than terminated when someone becomes incarcerated and coverage can be activated more quickly upon release from jail, thereby allowing for easier access to needed medical and behavioral health services.
- **Prevention and Public Health Fund and Education and Outreach Campaign** — The ACA provides for several funding sources for preventive health services. The Prevention and Public Health Fund was established to fund research and programs that improve preventive healthcare services like public health workforce training, immunizations and screenings, and health surveillance and tracking measures. Funding for these initiatives is distributed to states and community programs from several HHS agencies. Prevention programs in Leon County may qualify to receive funding through this source, which could mitigate the costs to the County to provide these services. In addition, Leon County could look to the Education and Outreach Campaign of the PPACA to fund its preventive health services. The

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Campaign's goal is to create a public-private partnership of organizations promoting disease prevention and health improvement across the lifespan. The campaign will be administered by the Centers for Disease Control, which will be given up to \$500 million to grant awards to qualified programs across states¹⁸.

- **Ryan White Program**—The Ryan White HIV/AIDS Program was created in 1990 through legislation called the Ryan White Comprehensive AIDS Resources Emergency Act. The program serves individuals with HIV/AIDS who have no health insurance or lack the financial resources to pay for healthcare services for their conditions. Today, the HIV/AIDS Bureau (HAB) of the Health Resources and Services Administration (HRSA) in the Department of Health and Human Services (HHS) administers the multi-part Ryan White Program with a budget of \$2.1 billion¹⁹. The HAB awards grants to states, cities, and community based organizations to provide services to individuals living with HIV/AIDS. The majority of Ryan White funding supports the medical care and essential support services for its members. Part A of Ryan White provides emergency financial assistance to the metropolitan areas with the largest populations of people with HIV/AIDS. Part B awards grants to states and territories to provide affected individuals with medication and sometimes funds to purchase health insurance. Part C funds outpatient primary care for adults in this population, and Part D grants funding specifically for healthcare services for women and children with HIV/AIDS²⁰. Leon County's Bond CHC currently receives funding from Part C and D of the Ryan White Program²¹.

In 2011, the Florida Department of Health statistics showed that there were 889 people living with HIV/AIDS in Leon County²². Recent data shows that 70% of Ryan White Program recipients in Florida had incomes equal to or below 100% FPL, and 88% lived below 200% FPL²³. Thus, it is likely that many individuals living with HIV/AIDS in Leon County are eligible for CareNet or receive services at CareNet community clinics. Other individuals living with HIV/AIDS in Leon County may be eligible to obtain premium assistance and cost-sharing subsidies if purchasing coverage through the Marketplace. The ACA mandates that private health insurance plans cannot deny coverage based on pre-existing conditions like HIV/AIDS, making the health insurance plans that have historically excluded people living with HIV/AIDS now available to this population. In addition, health insurance plans are no longer allowed to charge discriminatory premium rates based on a person's health status. If Florida opts to expand Medicaid in the future, people served by the Ryan White Program

¹⁸ Trust for American's Health, "Patient Protection and Affordable Care Act—Selected Prevention Provisions"

¹⁹ Health Resources and Services Administration, "About the Ryan White HIV/AIDS Program"

²⁰ Health Resources and Services Administration, "About the Ryan White HIV/AIDS Program"

²¹ Leon County Workshop on Consideration of Bond Community Health Center, Inc. FY 2014 Funding

²² Winnie Moime, "HIV Infections Down in Florida." The Famuan. November 9, 2011.

²³ Health Resources and Services Administration, "Ryan White HIV/AIDS Program 2010 State Profiles—Florida"

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with incomes at or below 133% FPL will no longer have to show proof of an AIDS diagnosis to qualify for Medicaid²⁴. As a result, these provisions could lead to fewer people in this population using CareNet services.

²⁴ Health Resources and Services Administration, "Key Provisions of the Affordable Care Act for the Ryan White HIV/AIDS Program"

Appendix A

To develop the following scenarios, Mercer utilized the Healthcare.gov website found at <https://www.healthcare.gov/find-premium-estimates/>.

Healthcare.gov advises that the information provided, upon which these scenarios are based, is a "rough estimate"²⁵ of potential costs and savings available and that final determination of eligibility for subsidies and actual costs of premium will not be available until an application is completed. All scenarios assume enrollment in silver plan to receive reduced out-of-pocket expenses (if eligible) as shown in copayments/coinsurance column. Also, the estimated costs in the scenarios are for individuals who do not use tobacco. To determine the cost of coverage for tobacco users through Healthcare.gov, an application for coverage must be completed.

Healthcare.gov identifies that Leon County residents can choose from:

- Six Bronze plans.
- Eight Silver plans.
- Seven Gold plans.
- Five Platinum plans.

Individuals age 30 or younger also have the option of enrolling in a catastrophic plan. All plans for Leon County residents are offered by Florida Blue (BlueCross BlueShield FL).

²⁵ <https://www.healthcare.gov/will-i-qualify-to-save-on-monthly-premiums/>

Scenario 1: Single, Childless Adult, Age 26 at 100% FPL and 200% FPL

1(a) 100% FPL — Single, Childless Adult Age 26

Annual household income of \$11,670; estimated monthly tax credit of \$215

Silver Plan	Monthly Premium	Deductible	Out-of-Pocket Maximum	Copayments/Coinsurance
Lowest cost plan	\$14 a month One enrollee Premium before tax credit \$229/month	\$500/year	\$2,000/year	Primary doctor: \$5 Specialist doctor: 10% Coinsurance after deductible Generic prescription: \$4 ER visit: 10% Coinsurance after deductible
Highest cost plan	\$59 per month One enrollee Premium before tax credit \$274/month	\$500/year	\$1,250/year	Primary Doctor:\$15 Specialist Doctor:\$20 Generic Prescription:\$4 ER Visit:\$75

1(b) 200% FPL — Single, Childless Adult Age 26

Annual household income of \$23,340; estimated monthly tax credit of \$110

Silver Plan	Monthly Premium	Deductible	Out-of-Pocket Maximum	Copayments/Coinsurance
Lowest cost plan	\$119 a month One enrollee Premium before tax credit \$229/month	\$4,000/year	\$5,200/year	Primary doctor: \$70 Specialist doctor: 10% Coinsurance after deductible Generic prescription: \$15 ER Visit: 10% Coinsurance after deductible
Highest cost plan	\$164 per month 1 enrollee Premium before tax credit \$274/month	\$3,000/year	\$5,200/year	Primary doctor:\$45 Specialist doctor:\$65 Generic prescription:\$10 ER visit:\$75

Scenario 2: Family of Three — One Parent, Two Children
 One Parent Age 30, Children Ages 4 and 2 Years
 Household Income at 100% FPL and 250% FPL

2(a) 100% FPL — One Parent Age 30, Two Children Ages 4 and 2

Annual household income of \$19,790; estimated monthly tax credit of \$227

Silver Plan	Monthly Premium	Deductible	Out-of-Pocket Maximum	Copayments/Coinsurance
Lowest cost Plan	\$26 a month One enrollee Premium before tax credit \$253/mo	\$500/yr Per individual	\$2,000/yr Per individual	Primary doctor: \$5 Specialist doctor: 10% Coinsurance after deductible Generic prescription: \$4 ER visit: 10% Coinsurance after deductible
Highest cost Plan	\$77 a month One enrollee Premium before tax credit \$304/mo	\$500/yr Per individual	\$1,250/yr Per individual	Primary doctor:\$15 Specialist doctor:\$20 Generic prescription:\$4 ER visit:\$75

2(b) 250% FPL — One Parent Age 30, Two Children Ages 4 and 2

Annual household income of \$49,475; estimated monthly tax credit of \$216

Silver Plan	Monthly Premium	Deductible	Out-of-Pocket Maximum	Copayments/Coinsurance
Lowest cost plan	\$320 a month Three enrollees Premium before tax credit \$536/mo	\$11,500/year Family total \$5,750/yr Per individual	\$12,500/yr Family \$6,250/yr individual	Primary doctor:\$75 Specialist doctor:10% Coinsurance after deductible Generic prescription:\$20 ER visit: 10% Coinsurance after deductible
Highest cost plan	\$427 a month Three enrollees Premium before tax credit \$643/mo	\$10,000/year Family total \$5,000/yr Per individual	\$12,500/yr Family \$6,250/yr Per individual	Primary doctor:\$55 Specialist doctor:\$75 Generic prescription:\$10 ER visit:\$75

Scenario 3: Family of Four — Two Parents, Two Children
 Two Parents Age 35, Children Ages 14 and 12 Years
 Household income at 100% FPL and 250% FPL

3(a) 100% FPL — Two Parents Age 35, Two Children Ages 14 and 12

Annual household income of \$23,850; estimated monthly tax credit of \$521

Children eligible for Medicaid/CHIP

Silver Plan	Monthly Premium	Deductible	Out-of-Pocket Maximum	Copayments/Coinsurance
Lowest cost plan	\$24 a month 2 enrollees Premium before tax credit \$545/mo	\$1,000/year Family total \$500/yr Per individual	\$4,000/yr Family \$2,000/yr Per individual	Primary doctor:\$5 Specialist doctor:10% Coinsurance after deductible Generic prescription:\$4 ER visit:10% Coinsurance after deductible
Highest cost plan	\$132 a month 2 enrollees Premium before tax credit \$653/mo	\$1,000/year Family total \$500/yr Per individual	\$2,500/yr Family \$1,250/yr individual	Primary doctor:\$15 Specialist doctor:\$20 Generic prescription:\$4 ER visit:\$75

3(b) 250% FPL — Two Parents Age 35, Two Children Ages 14 and 12

Annual household income of \$59,625; estimated monthly tax credit of \$448

Silver Plan	Monthly Premium	Deductible	Out-of-Pocket Maximum	Copayments/Coinsurance
Lowest cost plan	\$380 a month 4 enrollees Premium before tax credit \$828/mo	\$11,500/year Family total \$5,750/yr Per individual	\$12,500/yr Family \$6,250/yr Per individual	Primary doctor:\$75 Specialist doctor:10% Coinsurance after deductible Generic prescription:\$20 ER Visit:10% Coinsurance after deductible
Highest cost plan	\$544 a month 4 enrollees Premium before tax credit \$992/mo	\$10,000/year Family total \$5,000/yr Per individual	\$12,500/yr Family \$6,250/yr Per individual	Primary doctor:\$55 Specialist doctor:\$75 Generic prescription:\$10 ER visit:\$75

Scenario 4 Single, Childless Adult, Age 51

Household income at 100% FPL and 250% FPL

4(a) 100% FPL — One Adult, Age 51

Annual household income of \$11,670; estimated monthly tax credit of \$408

Silver Plan	Monthly Premium	Deductible	Out-of-Pocket Maximum	Copayments/Coinsurance
Lowest cost plan	\$8 a month One enrollee Premium before tax credit \$416/month	\$500/year	\$2,000/year	Primary doctor: \$5 Specialist doctor: 10% Coinsurance after deductible Generic prescription: \$4 ER visit: 10% Coinsurance after deductible
Highest cost plan	\$90 per month One enrollee Premium before tax credit \$498/month	\$500/year	\$1,200/year	Primary doctor:\$15 Specialist doctor:\$20 Generic prescription:\$4 ER visit:\$75

4(b) 250% FPL — One Adult, Age 51

Annual household income of \$29,175; estimated monthly tax credit of \$229

Silver Plan	Monthly Premium	Deductible	Out-of-Pocket Maximum	Copayments/Coinsurance
Lowest cost plan	\$187 a month One enrollee Premium before tax credit \$416/month	\$5,750/year	\$6,250/year	Primary doctor: \$75 Specialist doctor: 10% Coinsurance after deductible Generic prescription: \$20 ER visit: 10% Coinsurance after deductible
Highest cost plan	\$269 per month One enrollee Premium before tax credit \$498/month	\$5,000/year	\$6,250/year	Primary doctor:\$55 Specialist doctor:\$75 Generic prescription:\$10 ER visit:\$75

Scenario 5: Lowest Premium Costs by Metallic Level

5 (a) Non-disabled Childless Adult, Age 25

Lowest Cost Plan by Metallic Level	100% FPL	150% FPL	200% FPL	300% FPL
	(\$11,670) \$211 Monthly Tax Credit	(\$17,505) \$170 Monthly Tax Credit	(\$23,340) \$105 Monthly Tax Credit	(\$35,010) No Premium Tax Credit **
Bronze	\$0	\$32	\$97	\$202
Silver	\$13	\$54	\$119	\$224
Gold	\$46	\$87	\$152	\$257
Platinum	\$77	\$118	\$183	\$288
Catastrophic*	\$175	\$175	\$175	\$175

*Subsidy assistance is not available to help pay for a catastrophic plan.

**The ACA stipulates that individuals with incomes between 300%–400% FPL cannot pay more than 9.5% of their income in premiums. In this scenario, the premium is less than the 9.5%, so no premium tax credit is needed to offset the cost.

5 (b) Non-disabled Childless Adult, Age 40

Lowest Cost Plan by Metallic Level	100% FPL	150% FPL	200% FPL	300% FPL
	(\$11,670) \$273 Monthly Tax Credit	(\$17,505) \$233 Monthly Tax Credit	(\$23,340) \$168 Monthly Tax Credit	(\$35,010) \$16 Monthly Tax Credit
Bronze	\$0	\$24	\$89	\$241
Silver	\$12	\$52	\$117	\$269
Gold	\$54	\$94	\$159	\$311
Platinum	\$93	\$133	\$198	\$350



Leon County Community Dialogue

IMPROVING COUNTY HEALTH • APRIL 3 2014

THE NATIONAL ASSOCIATION OF COUNTIES

The National Association of Counties (NACo) assists America's counties in pursuing excellence in public service by advancing sound public policies, promoting peer learning and accountability, fostering intergovernmental and public-private collaboration and providing value-added services to save counties and taxpayers money. The National Association of Counties (NACo) is the only national organization that represents county governments in the United States. Founded in 1935, NACo provides the elected and appointed leaders from the nation's 3,069 counties with the knowledge, skills and tools necessary to advance fiscally responsible, quality-driven and results-oriented policies and services to build healthy, vibrant, safe and fiscally resilient counties.

WHAT ARE THE COMMUNITY DIALOGUES?

The National Association of Counties (NACo), in partnership with the Robert Wood Johnson Foundation (RWJF) and the University of Wisconsin Population Health Institute (UWPHI) is conducting community dialogues in six counties across the country. The NACo Community Dialogue to Improve County Health sessions are intended to assist counties in assessing, planning, and strategizing current efforts toward coordinating health initiatives to improve the overall health of residents in these counties. These sessions are a part of NACo's Elected County Officials' Guide to County Health Rankings & Roadmaps project which aims to bring together public and private partners to share innovative ideas and strategize about how to resolve various challenges counties face.



LEON COUNTY COMMUNITY DIALOGUE

Community healthcare leaders in Leon County gathered together to discuss access to care in the county. Participants included members of the County Commission, the County Administrator and staff, the Florida Department of Health in Leon County Interim Administrator, and representatives from the Florida State University (FSU) College of Medicine, Big Bend Cares, Neighborhood Medical Center, Apalachee Center, Bond Community Health Center, Capital Medical Society Foundation, North Florida Medical Centers, Tallahassee Memorial HealthCare, Florida A&M University (FAMU) College of Pharmacy and Pharmaceutical Sciences, and the United Way of the Big Bend.

Leon County staff led participants in identifying the strengths and assets of the current healthcare system, the gaps and barriers to collaboration, ideas and solutions to addressing those gaps and barriers, and next steps to achieving the goals.

County Commission Chair Kristin Dozier opened the Community Dialogue by noting the main outcome for the discussion would focus on how to improve access to care in Leon County through greater collaboration and increased partnerships. She stated the county wants to be the catalyst that drives these types of partnerships forward. County Administrator Vincent Long highlighted the goals of the discussion, including a conversation on where the county and its partners should go next in improving access to care. Leon County staff emphasized the dialogue was intended to provide a forum for an honest look at where the community is and how the strengths can be enhanced and the gaps can be filled to improve access to care.

This report provides a narrative summarization of the Community Dialogue. The report is organized by area of discussion and not the exact order of conversation as it occurred on April 3, 2014. The report does not include every comment made throughout the day, but serves to highlight the ideas discussed in their respective sections.



IDENTIFYING STRENGTHS AND ASSETS

WHAT ARE THE STRENGTHS AND ASSETS OF THE HEALTHCARE SYSTEM IN LEON COUNTY AND HOW CAN THE COMMUNITY BUILD ON WHAT IS WORKING WELL?

Participants spent a majority of the first session discussing the strengths of the healthcare system in Leon County. There were a number of comments that emphasized the strength and dedication of the safety net providers in the community, including the We Care Network coordinated by the Capital Medical Society Foundation, Bond Community Health Center, and Neighborhood Medical Center. This group of providers, known as the CareNet program, is supported by other healthcare partners such as the Florida State University (FSU) College of Medicine, the Florida A&M University (FAMU) College of Pharmacy, and Tallahassee Memorial HealthCare.

In Leon County, partners share in the mission to serve indigent populations, in particular both Bond Community Health Center and Neighborhood Medical Center have a long history and depth of experience serving the uninsured and underserved in Leon and surrounding counties. Others have

“One of the things that is more unique about Tallahassee than most communities is... the large majority of health concerns and health programs are managed and directed by this community and through people in this community... When you have healthcare decisions made from afar, there isn't a sense of ownership... I think the way that this community makes decisions around healthcare and the fact that a large majority are made locally is highly important.”

— Mark O'Bryant
President and Chief Executive Officer
Tallahassee Memorial HealthCare

also developed innovative methods of improving access for underserved populations. Tallahassee Memorial HealthCare, in collaboration with the FSU College of Medicine and Capital Health Plan, has established the Transition Center. The Center helps connect patients who are uninsured or underserved with safety net providers and primary care providers to ensure a continuity of care and lower readmissions to the hospitals.

Leon County is home to two major universities, Florida State University and Florida A&M University. The FSU College of Medicine and

the FAMU College of Pharmacy serve important roles by attracting students and faculty who are interested in serving the underserved, supporting TMH's residency programs, and embedding faculty in local healthcare organizations who serve the uninsured and underserved. As Florida's state capital, Tallahassee and Leon County are in a unique position to influence state policy.

The county has partnered with the City of Tallahassee and the United Way of the Big Bend to develop the Community Human Services Partnership, which invests over \$4 million in social services, including healthcare, to improve the quality of life for our local citizens. The Florida Department of Health in Leon County operates a pediatric dental program. In partnership with Leon County Schools, it is piloting a sealant program for second graders.

WHAT IS OR SHOULD BE THE COUNTY'S ROLE IN IMPROVING ACCESS TO CARE?

The final portion of the morning session centered on the role the county could play to improve access to care. A number of partners discussed the county moving toward operating in a more outcome-driven fashion, consistent with nationwide healthcare trends. . The county was identified as the most appropriate partner to facilitate a discussion on a healthcare system that is more heavily focused on achieving

improved outcomes. This would include facilitating discussions to establish certain health benchmarks and supporting providers to reach identified goals.

The county was also identified as having an important role in taking the lead on key health issues that impact the community. This includes pursuing innovative health technologies, such as telehealth and telemedicine, through policy development at the local and state level. Regarding mental health, initiatives to reduce stigmas associated with seeking mental health treatment were discussed and the county was identified as playing an important role in educating the public and promoting the importance of treatment for mental health and substance use disorders.

One of the issues we have in general is a level of public prejudice and stigma, not only about severe and persistent mental health issues . . . but with mild mental health issues . . . A lot of that has to do with both a reluctance to seek treatment and a reluctance to admit that there are interventions needed, and with the unavailability . . . of milder or more moderate forms of treatment, and that takes not just providers, but it takes a change in the culture of the community . . . I think that is a place where the county, with the partnership of the current providers, can take the lead and say we want to make this the healthiest county we can, both in terms of physical, but also in terms of behavioral health."

— Jay Reeve
President and Chief Executive Officer
Apalachee Center

PUBLIC COMMENT PERIOD

At the end of this section of the dialogue, citizens were given an opportunity to make comments. Public comments included concern that the failure to expand Medicaid in Florida would have a dramatic impact on the uninsured, particularly in the African American population. Concern was expressed over the health disparities within the community and that the need for care in the underserved population is not met by the current system of care. Concern was also mentioned regarding the difficulty that high need patients have in navigating the healthcare system.

GAPS AND CURRENT BARRIERS TO COLLABORATION

WHAT ARE THE GAPS IN SERVICES IN THE COMMUNITY?

As the dialogue shifted from discussion of strengths and assets of the healthcare system, partners talked about the gaps in services they see as barriers. Although many partners highlighted the high quality of care provided by physicians, it was noted that some specialties suffer from a shortage of providers and additional physicians are needed to match the health needs of the community.

There was a discussion about gaps in services for the chronically ill. The current CareNet system has provided a strong safety net, but the system does not address funding of chronic disease treatment. There is an acute need to improve chronic care management and services for “high utilizers” that cycle in and out of the hospital.

Many partners highlighted the need to put increased focus on prevention efforts, particularly among high need populations. Finally, there was discussion around a gap in acute ongoing behavioral health services, although this stems more from a statewide funding lapse. Conversation among the partners highlighted the quality of services delivered and focused most of the discussion on gaps in access to care.

WHAT ARE THE GAPS IN ACCESS TO CARE IN THE COMMUNITY?

The partners discussed a number of critical gaps in access to care. The county has high quality health-care services and well-trained physicians; however, the partners discussed the lack of a full continuum of services. It is difficult for uninsured and underinsured patients to connect to needed services in the system due to fragmented providers and a lack of follow-up services available to them. It was noted that many patients stop seeking services when confronted with the difficulty of navigating the system. In particular, investments need to be made to close gaps in preventive care, follow-up, and ongoing outpatient treatment for the chronically ill.

For those uninsured populations gaining access to health coverage through the Affordable Care Act, accessing a fragmented system of care will be particularly difficult as many of them are gaining insurance for the first time or after a long

gap in coverage. The partners expressed concerns about gaps in coverage for those purchasing high-deductible plans on the Federal Health Insurance Marketplace.

Some providers have found it difficult to share patient health information. As information sharing is a critical component to a system that provides a strong continuity and continuum of care, partners expressed concern and a desire to move forward on improving capacity for information and health

“Our system is still very provider-centered rather than patient-centered and we expect patients to know how to navigate so many different systems to get all of the pieces [of care] that they need.”

— Lauren Faison
Administrator for Population Health and Regional Development
Tallahassee Memorial HealthCare

record sharing. Multiple partners discussed the current status of health information exchanges, which offer significant potential for improving the community healthcare system, but are still in the development stage or have yet to be adopted universally. Part of the slow adoption of health information exchanges has to do with the complex issues surrounding the Health Insurance Portability and Accountability Act (HIPAA) and other privacy requirements and the cost-prohibitive nature of connecting medical records systems to health information exchanges.

Healthcare delivery is provider-centered, which is a contributing factor to the continuum of care gap discussed earlier in the dialogue. Many partners discussed the need to shift towards a patient-centered model of healthcare delivery.

At this point in the dialogue discussion shifted to an issue within the primary care provider system for the uninsured and underserved population. Due to the timing of federal funding decisions, the gathering of these key partners served as an important opportunity to address this critical community partnership.

PUBLIC COMMENT PERIOD

No members of the public offered comments for this section of the dialogue.

REMOVING BARRIERS TO COLLABORATION

WHAT ARE SOME OPPORTUNITIES TO ADDRESS GAPS IN THE COMMUNITY?

At the start of this session on how to address gaps in the healthcare system, partners were led in a short discussion of what gaps had been identified earlier in the day. They were also prompted to consider the healthcare system as a whole and where each of the partners fit into solving some of these key gaps in the community.

The Center for Health Equity at Florida A&M University (FAMU) will engage in an agreement with both community health centers to implement an outcome-driven model addressing diabetes. The pilot program will take a baseline assessment of patients and put them through a structured system of care that eliminates barriers such as transportation, mental health, substance abuse, and follow-up care. The baseline assessment measures will be monitored and outcomes reported on a quarterly basis to view improvement. This type of model would address continuum of care issues discussed in the earlier segment on gaps.

The partners discussed both the process and the types of community outcomes that should be addressed. There was discussion of anchoring any community shared vision on improving health to a national standard that is recognized by both leaders and the public (e.g. Healthy People 2020). There was broad agreement that any outcome data should be based on data already collected by providers, as they are all faced with a number of data collection requirements already.

Many partners weighed in on the process of filling community gaps with a broad census focused on developing a committee or community health council that would develop a shared community vision or community-based plan that addresses agreed upon priorities. The United Way of the Big Bend operates a community health council that spans across community sectors. The county currently has

Participants discussed additional partners that should be included in the development of a community-based plan that impacts health but were not included in the Community Dialogue. Suggestions included:

- » Law enforcement
- » Leon County School District
- » City of Tallahassee
- » County commissioners from surrounding counties
- » Faith-based organizations
- » Patients/clients
- » County and city planners
- » Leon County Emergency Medical Services (EMS)
- » Transportation leaders
- » Business leaders

a Community Health Coordinating Committee and it could be utilized as a vehicle for community partners and the county to move community health priorities forward. There was discussion of engaging county leaders from surrounding counties to gauge the utilization of healthcare services in Leon County from individuals residing in those counties. Other suggestions included the development of a multi-year strategic plan that includes an annual plan incorporating community health priorities.

Improving health literacy in the community was suggested as an opportunity to address access to care issues. One solution offered was to develop a focus group or survey of Leon County citizens to gauge their current understanding of health and then undertaking a public education effort to fill the needed gaps identified. Another suggestion was to provide services that would guide people through the healthcare system. There is a shortage of support staff throughout the healthcare system in the community that can provide those types of services to improve access and health literacy. Providing this type of support staff for patients ensures they receive needed care.

PUBLIC COMMENT PERIOD

Comments included concern over the high rates of infant mortality in Leon County. Income inequality and poverty were also identified as barriers to accessing care in the community, which also impacts low income citizens ability to provide or get transportation to gain access to healthcare. Some commenters agreed with ideas discussed by the partners such as consolidated medical records to provide for consistency of care across providers, the concept of case management, and a shift to patient-centered care. Community goals would be shared with the public to ensure transparency.

NEXT STEPS: WHAT WILL EACH PARTNER COMMIT TO MOVING FORWARD?

County Administrator Long opened this section of the dialogue by drawing on comments earlier in the day that focused on moving toward a more outcome-driven approach. He noted that county contracts have been focused on getting people into a primary care home, but this could be a pivot point to shift toward outcome-driven contracts with providers. This would allow the county to focus on moving the needle on specific health care needs in the community identified by partners. Multiple partners indicated that the community needs to first assess the health issues and develop a community-based plan to address them, and then potentially address how the county contracts with providers.

The United Way of the Big Bend expressed willingness to take the lead on being the catalyst for the community health council to pool resources and contribute to a discussion of a community-wide shared vision. Many other partners stated that they were willing to devote time and resources to a community health council.

A number of partners, including the FAMU College of Pharmacy and the Tallahassee Memorial Health-Care Transition Center said they would focus on sharing information and tools with all the partners to improve knowledge of the needs of the community. Dr. Thompson from FAMU offered to compile health statistics for the area, including in subgroups of the community, to help understand the health issues of the community. The Transition Center will share its patient-by-patient identifier and GIS mapping tools that provide data on the neediest populations in the community.



NACo COMMUNITY DIALOGUE SERIES

Leon County Community Dialogue

IMPROVING COUNTY HEALTH • APRIL 3 2014



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Bond Community Health Center, Inc.

April 25, 2014

Candice Wilson
Director, Office of Human Services and
Community Partnerships Health & Human Services
LCBCC
918 Railroad Avenue
Tallahassee, Florida

Dear Mrs. Wilson,

Please accept this correspondence as formal notification to Leon County Board of County Commissioners that, although Bond Community Health Center lost the HRSA Service Area Competition for continued FQHC funding, Bond will continue to operate as the leading provider of primary healthcare to all populations in Leon and neighboring counties.

Bond is participating and in-network with all major insurance plans and carriers, including Blue Cross and Blue Shield (Florida Blue) which is the only Affordable Care Act plan in our region, at this time. We are in-network with the Florida Medicaid Managed Medical Assistance Program's (MMA) Standard (Non-Specialty) plans for region 2. We are also participating and in-network with the MMA Specialty plans that will serve populations with a distinct diagnosis or chronic condition. Bond has been selected as the authorized provider to render covered services to Medical Benefit Settlement Class Members of the BP Oil Spill Settlement.

Our mission of primary and preventive healthcare to the community will only be successful through Bond's committed partnerships with LCBCC, AHCA, DOH and all area healthcare provider and human service organizations. Bond has affiliation agreements with 17 health and human service entities throughout Leon and surrounding counties. Our intent is to expand on those relationships. As a result of these collaborations, Bond rendered over 32,000 visits in 2013, of which 46 percent were for uninsured patients, and Leon County patients accounted for 71 percent of those uninsured.

As a result of the funding reduction, we are in the process of applying to HRSA for our FQHC look-a-like status. It should also be noted, all efforts are being made for right-sizing the organization and initiating a strategic planning process to ensure its future financial viability.

Bond is appreciative of LCBCC's current support and requests your continued funding.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernard Goodman", is written over a light blue horizontal line.

Bernard Goodman, CEO

Bond CHC's Work Plan to provide an orderly phase out and transition of the health center grant.

April 2014	May 2014	June 2014	July 2014	Beyond
Review of NoA with grant specific conditions	Submit LAL application consistent with notice of designation instructions Begin downsizing	Mail outs to patients that Bond continues to serve them, provide ACA information on BCBS and Prestige managed care health plans.	Mail outs to patients that Bond continues to serve them, provide ACA information on BCBS and Prestige managed care health plans.	Check off list of completed task per NoA dated 3/28/14; pg 2, grant specific terms
Review of grant specific terms	Move forward with medical record release	Continue Bond's strong outreach and education efforts with affiliate human service agencies.	Continue Bond's strong outreach and education efforts with affiliate human service agencies	Submit FFR
Development of 30 day conditions (see NoA 3/28/14, pg 2)	Assign staff (list) who will track and monitor NoA 3/28/14, pg 2 Grant specific terms 1a-j	Monitor collaboration with NMC for patient care continuity.	Monitor collaboration with NMC for patient care continuity.	Submit UDS
Contact with Neighboring health centers, etc	Assign staff who will ensure UDS data & Audit reporting is adhered to	Monitor Bond's efficiency of addressing requests for medical records.	Monitor Bond's efficiency of addressing requests for medical records	Submit Independent financial audit to HRSA
Meeting with HRSA (BPHC PO and Office of Federal Assistance Mgmt –GMS)	Keep patients and public apprised of active status of Bond and its ongoing relationship with NMC.	Monitor Bond's efficiency of patient appointments and flow, eligibility verification and billing according to grants and health plans.	Monitor Bond's efficiency of patient appointments and flow, eligibility verification and billing according to grants and health plans.	
Submit annual grant applications to Leon County Board of Commissioners to provide primary and specialty care to Leon County residents.	Finalize collaboration discussions with NMC to provide specialty care to their diabetic patients: podiatry, chiropractic, ophthalmology and diabetes health and nutrition education.			
Ongoing communications with PO and GMS monthly through the end of the budget/project period; end of month for April through July 2014				

Additional Q & A (sample, questions may be different upon review by Bond's CEO/CFO)

- Will doors to health center stay open?

Bond will continue to operate post 330 funding. Bond is in the process of submitting a HRSA Lookalike application and plans to submit for the next HRSA NAP application cycle.

- Hours of operation will?

Hours of operation will likely change post 330 funding to:

Main site: M, Th 8:00a – 7:00p; Tu, W, F 8:00a – 5:00p; 1st & 3rd Sat 9:00a – 2:00p

BAWIC: M – Th 8:00a – 5:00p

BPHAC (Public Housing): M, W - F 8:00a – 5:00p; Tu 10:00a – 7:00p

RCC (Homeless): Tu, Th 3:00p – 7:00p; F 8:00a – 12:00p

- Will Bond continue to operate all practice sites?

Post 330 funding, Bond will continue to operate all but the Kay Freeman homeless site. However, Bond will continue to provide homeless health care at the Renaissance Community Center (RCC), Tallahassee's largest homeless shelter.

- Will Bond continue to serve its special populations' clients?

Bond will continue its mission to provide quality primary & preventive health care to all patients it served as a 330 grantee

- How will Bond communicate changes, modifications, updates to patients, staff and community at large?

Bond will communicate changes and updates to patients, community and staff via mailings, Bond website, radio ads/ PSAs, presentations to large community and human service gatherings/meetings, etc.

FOCUS AREA: Operational Service Delivery Program within 120 days of NOA					
GOALS:	Key Action Steps:	Key Staff:	Time Frame:	Current Status	Date of Goal Completion
A1. Provide all required primary, preventive, enabling and other health services as identified on Form 5A: Required Services.	A.1.1 Recruit/Retain Medical Providers	CEO, CD	Sites are currently operational with core staffing, additional staffing hired as patient volume increases. Schedule providers for school based and public		
	A.1.2. Secure MOA's for required services not directly provided (Auxillary services,Obstetrical care, prenatal, hospitalist, out patient rehabilitation)	CEO	MOA's executed & referral systems already in place		
	A.1.3. Implement 340b Pharmacy Services	CEO, Pharmacy Director	Within 90 days of NOA or at next available enrollment cycle if NOA is received after April 15th cycle closes		
	A.1.4. Implement in house Behavioral Health Services (Offer employment contract to LCSW)	CEO, CD	Within 90 days of NOA		
A2. Maintains a core staff to carry out required services who are appropriately licensed, credentialed and privileged	A.2.1. Identify vacant positions from SAC-AA staffing profile	CEO, Dept. Managers	Upon NOA		
	A.2.2. Implement Recruitment and Retention Plan	CEO, Dept. Managers	Upon NOA		
	A.2.3. Credentialing and Privileging as per board approved policy	CEO, Dept. Managers	Prior to employment		
	A.2.4. Offer Employment Contracts	CEO, Dept. Managers	Upon NOA		
	A.2.5. Completion of new hire checklist and orientation	CEO, Dept. Managers	Upon Hire		
	A.2.6. Maintain malpractice coverage until change is necessary, upon approval of FTCA Deeming application	CEO	Sites are operational and malpractice in place. Add school based and public housing sites. Submit FTCA Deeming application.		
A.3. Provision of services at time and locations that assure accessibility and meet the needs of our patients	A.3.1. Implement Board approved hours of operation, scope of services at new school based and public housing sites. Conduct quarterly patient surveys to assure hours of operation best meet needs of patients.	Board, CEO	All sites are currently operational except school based and public housing sites. Implement hours at these sites.		
A.4. Provide professional coverage for medical emergencies for times when the office is closed	A.4.1. Implement Board approved policy for after-hour call coverage	CD	Sites are currently operational and after hour call in effect. Implement at new school based and public housing sites.		
FOCUS AREA: Operational Service Delivery Program within 120 days of NOA					

GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
A.4. Provide professional coverage for medical emergencies for times when the office is closed	A.4.1. Implement Board approved policy for after-hour call coverage	CD	Sites are currently operational and after hour call in effect. Implement at new school based and public housing sites.		
A.5. Provide for continuity of care for hospitalized patients	A.5.1. Referral to Tallahassee Memorial Hospitalist Program for in-patient care. Tallahassee Memorial's discharge planner will coordinate discharge with our staff	CEO, CD	MOA executed and referral system in place admissions, discharges and exchange of info		
A.6. Sliding fee discounts in place to determine eligibility based on the patients ability to pay and current FPL table	A.6.1. Implement Board approved discount policy and procedure	Board, CEO, CFO	Sites are operational and policy in effect. Replicate at school based and public housing sites.		
	A.6.2. Display signage in lobby indicating discounts	CFO	Sites are operational and signage in place .Replicate at school based and public housing sites.		
	A.6.3. Implement Eligibility process as per Board approved policy and procedure	CFO	Sites are operational and procedure in place.Replicate at school based and public housing sites.		
FOCUS AREA: Key Management Staff /Systems /Arrangements					
GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
B.1. Maintain a fully staffed management team as appropriate for the size and needs of the center	B.1.1. Identify vacant positions from staffing profile	CEO, Dept. managers	execute hire of COO upon receipt of NOA.		
	B.1.2. Implement Recruitment and Retention Plan		Provide leadership oversight		
	B.1.3. Implement Pre-Employment Process		January 2014 - receipt of NOA		
	B.1.4. Implement new hire checklist and orientation		Upon receipt of NOA		
B.2. Appropriate oversight and authority of all contracted services and 330 requirements	B.2.1. Implement Board approved policies and procedures regarding employment contracts, MOA's, procurement policies and other contracts as applicable	Board, CEO and Dept. Managers	Sites are operational and policy/procedures in place. Replicate at school based and public housing sites.		
	B.2.2. Utilize NACHC FQHC Start-Up Guide Checklist		Currently utilizing in developing Implementatin Plan, will continue to utilize throughout operation launch period March - June 2014.		
FOCUS AREA: Key Management Staff /Systems /Arrangements					
GOALS:	Key Action Steps:	Key Staff:	Time Frame:		

B.3. Maintain accounting and internal control policies and procedures according to size, and complexity of the organization	B.3.1. Implement Board approved Financial and Accounting Policies and Procedures	Board, CEO, CFO	Sites are operational and policy/procedures in place. Replicate at school based and public housing sites.		
	B.3.2. Maintain corporate compliance in all areas including HR, insurance coverage, personnel, HIPPA, IRS, ADA, patient and employee satisfaction, signage and other employment practices	CEO, COO, Compliance Officer	Conduct <u>quarterly</u> self audits in all areas of program beginning June 2014		
B.4. Assure that an annual, independent audit is completed including the A133 compliance supplement	B.4.1. Board will select and approve annual audit firm, receive the audit and make corrective actions as required	Board, CEO, CFO	Annually		
B.5. Maintain systems which maximize collections and reimbursement for our cost in providing services	B.5.1. Continue use of Micro MD EMR and EDI Insight billing component	CFO, Dept. Mgr, Treas, Finance	Site is operational using Micro MD software. Replicate at school based and public housing sites.		
	B.5.2. Implement Board approved fee schedule, collection, billing policies	Finance Committee, Board to CFO and COO	Board directs staff to implement and monitors on a monthly basis performance of collection of revenue (AR)		
	B.5.3. Assess job performance of employees in revenue cycle process. Identify weaknesses and implement plan of improvement to include training and continuing education needs	COO	operation and then ongoing for all employees. Training plan following orientation developed for each employee.		
	B.5.4. Obtain Medicare FQHC billing numbers	CFO	Upon receipt of NOA		
	B.5.5. Obtain Medicaid rate billing numbers	CFO	Upon Receipt of NOA		
	B.5.6. Identify other needed contracts, licenses such as Capital Health Plan contracts, Florida Blue	Board, CEO, CFO	Upon receipt of NOA		
	B.5.8. Monthly Finance Committee meeting will review financial statements, progress toward financial goals and operating goals, and other reporting tools such as UDS, FSR, Audit, etc.	CFO, CEO, COO, Board	Monthly		
	B.5.9. Maintain up to date credentialing and contracts with third party payers	CFO	Monthly		
FOCUS AREA: Key Management Staff /Systems /Arrangements					
GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
B.6. Maintain a budget that reflects the cost of operations, expenses and	B.6.1. Implement Board approved annual operating budget	Board, CEO, CFO	Operational under Board approved. Replicate site based budgeting at school based and public housing sites.		

revenues necessary to accomplish the service delivery plan	B.6.2. Monitor financial performance monthly - Finance committee reports to the board on a monthly basis	CFO, CEO	Operational		
	B.6.3. Implement Board approved capital plan as needed	CEO, CD, COO, CFO	Based on patient volume facility needs will inform capital plan updates		
	B.6.4. Implement programs and services per Board approved scope of services, fee schedules, approved budget and operational goals, policies and procedures	CEO	Operational. Replicate at school based and public housing sites.		
B.7. Maintain systems which accurately collect and organize data for program reporting and decision making	B.7.1. Continue utilization of Micro MD EHR with Insight EDI as a billing system	Board, CIO, Contract IT Staff	Operational and implemented. Replicate at school based and public housing sites.		
	B.7.2. Assess hardware and connectivity	CIO	Upon NOA, assess additional hardware needs at current sites. Replicate at school based and public housing sites.		
	B.7.3. Continue to update current hardware, software for practice management and electronic medical records	CIO	Installed at existing sites. Replicate at school based and public housing sites.		
	B.7.4. Implement organizational policies and procedures compliant with HRSA standards for FQHC	CEO, COO, CFO	Continue education and training. Replicate at school based and public housing sites.		
	B.7.5. Assess and implement meaningful use requirements	CIO, CD	March - October 2014		
	B.7.6. Implement Board approved IT policies and procedures	CIO	Operational and implemented. Replicate at school based and public housing sites.		
	B.7.7. Implement Tele-medicine program in partnership with Florida/Caribbean AIDS Education and Training Center (F/C AETC).	CEO, CD	Currently Implemented. Replicate at school based and public housing sites.		
	B.7.8. Update QuickBooks and other organizational systems accurately record, monitor and track financial existing and new sites		Currently Implemented. Revise Chart of Accounts to reflect the additional school based and public housing sites for cost allocation of expenses and revenue.		
Focus Area: Operational Site(s) within 120 Days					
GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
B.8. Implement staffing profile that meets criteria set forth by HRSA	B.8.1. Assess staffing profile for vacancies and implement recruitment and retention plan as needed	Board, CEO	Annual strategic planning or as needed based upon changes challenges barriers		
	B.8.2. Annual Board strategic planning to review service area and target population, hours of operation, sites and barriers to access	Board, CEO	Annual strategic planning or as needed based upon changes challenges barriers		

B.9. Implement clinical, fiscal and governance board approved policies	B.9.1. Train and evaluate compliance with program implementation and requirements	Comp. Off., Dept. Managers	In compliance and on-going evaluation with Corporate Compliance Officer (Attorney)		
Focus Area: Operational Site(s) within 120 Days					
GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
C.1. Maintain operational hours and required services	C 1.1 Ensure that 438 West Brevard Street Tallahassee, Florida meets all required HRSA guidelines within the operational status of clinical facilities	CEO, CD, Dept. Managers	Currently operational		
	C.1.2. Ensure that 2295 Pasco Street, Tallahassee, Florida, (Smith Williams Service Center) meets all HRSA guidelines within the operational status for clinical facilities	CEO, CD, Dept. Managers	Currently Operational		
	C.1.3. Ensure that 604 East 5th Avenue, Havana, Florida (Cecil V. Butler) meets all required HRSA guidelines within the operational status of clinical facilities	CEO, CD, Dept. Managers	Currently Operational		
Focus Area: Operational Site(s) within 120 Days					
GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
	C.1.4. Implement site 1210 Kemp Road, Havana, Florida (Havana Middle School) and ensure this site meets all required HRSA guidelines within the operational status of clinical facilities	CEO, Dept. Managers	Within 120 days of NOA		
	C.1.5. Implement site 705 U.S Highway 27, Havana, Florida (Havana Elementary School) and ensure that this site meets all required HRSA guidelines within the operational status of clinical facilities	CEO, Dept. Managers	Within 120 days of NOA		
Focus Area: Implementation of Sliding Fee Discount Program and Billing and Collections System					
GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
D.1. Maintain current billing and EMR system with needed updates and training	D.1.1 Continue use of Micro MD EMR and EDI Insight billing component	CEO, CFO	Currently Implemented. Replicate at school based and public housing sites.		
	Implement Board approved fee schedule, collection, billing policies	Finance Committee, Board to CFO	Board directs staff to implement and monitors on a monthly basis performance of collection of revenue		

Sliding Scale implemented by the Federal Poverty Guidelines	D.2.1. Continue use of Federal poverty guidelines sliding scale that covers individuals that are greater than 200%	CEO, CFO	Currently Implemented. Replicate at school based and public housing sites.		
Focus Area: Quality Improvement/Quality Assurance (QI/QA) Program					
GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
E.1. Provide a uniform method for assessing organizational performance and guiding performance improvement	E.1.1 Expand the current scope of assessment and improvement beyond clinical activities to organizational wide processes	CD, Board, CQI Committee	Currently implemented. Replicate at school based and public housing sites.		
	E.1.2 Coordinate the development, implementation, and evaluation of internal performance standards and improvements activities throughout NMC's operations.	CD, Board, CQI Committee	Currently implemented. Replicate at school based and public housing sites.		
	E.1.3 Appoint management responsibilities with respect to monitoring performance measures, and initiating and sustaining improvement activities.	CD, Board, CQI Committee	Currently implemented. Replicate at school based and public housing sites.		
	E.1.4 Develop an approach to quality that emphasizes customer satisfaction, customer and staff safety, and the reduction of legal and financial risk.	CD, Board, CQI Committee	Currently implemented. Replicate at school based and public housing sites.		
E.2 Develop an interdisciplinary committee	E. 2.1. Ensure that the interdisciplinary CQI Committee will oversee matters concerning appraisal of quality performance and improvement activities, establish internal objectives, review departmental performance data, coordinate and facilitate improvement projects.	CD, Board, CQI Committee	Currently implemented. Replicate at school based and public housing sites.		
Focus Area: Quality Improvement/Quality Assurance (QI/QA) Program					
GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
E.3. Develop an annual plan	E.3.1. The CQI committee shall develop an annual plan that identifies processes and issues appropriate for performance monitoring or new initiatives.	CD, Board, CQI Committee	Currently implemented. Replicate at school based and public housing sites.		
	E.3.2. Develops action plans for proposed performance improvement activities to include: 1. Identification of performance indicators and the method of data collection. 2. Responsible party 3. Time-lines for completion of tasks	CD, Board, CQI Committee	Currently implemented. Replicate at school based and public housing sites.		
FOCUS AREA: Governing Board					

GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
F.1. Governing Board maintain appropriate authority to oversee the operations of the center	F.1.1. Monthly Board Meeting	Board	In compliance and ongoing evaluation		
	F.1.2. Approval of the health center grant application and budget	Board, CEO, CFO	Prior to submission of NCC BPR, date established by HRSA		
	CF1.3. Selection and dismissal and annual evaluation of the CEO	Board	Annually		
	F.1.4. Selection of services to be provided	Board, CEO, COO, CD	Annually as per Needs Assessment, Quarterly in response to Patient Survey		
	F.1.5. Selection of hours of operation	Board	Annually as per Needs Assessment, Quarterly in response to Patient Survey		
FOCUS AREA: Governing Board					
GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
	F.1.6. Annual and long-term strategic planning including process, goals, mission and bylaws, patient satisfaction, monitoring the organizations assets and performance	CEO, COO, CFO	Annual strategic planning session, quarterly monitoring		
	F.1.7. Approve general policies for the center	Board	Monthly as needed, Cycle for review and revision at minimum once during each Project Period		
	F.1.8. Operational under 330, bylaws and 501 c 3 requirements	Board	In compliance with on going evaluation		
FOCUS AREA: Governing Board					
GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
F.2. Governing Board is composed of individuals as required in the 330 program requirements	F.2.1. Composed of individuals that represent the patients served by the center	Board	In compliance with on going evaluation		
	F.2.2. Composed of majority of individuals who are patients of the center. Minimum 51% of members are patients.	Board	New Board member will be presented for approval upon NOA. Board members active patient status will be part of Corpooarte Compliance Audit cycle.		
	F.2.3. Board size is between 9-25 members as per bylaws	Board	Nominating Committee to conduct Board Composition Assessment to assure Board reflects community and patients		

	F.2.4. Remaining non-consumer members represent the community and shall be selected based upon expertise in community affairs, local government, finance and banking, legal affairs, trade unions and other commercial and industrial concerns or social service agencies within the community.	Board	Nominating Committee to conduct Board Composition Assessment to assure Board reflects community and patients being served. Nominating Committee to present to Board prior to expiration of terms of board members		
	F.2.5. No more than half of the non-consumer member may derive more than 10% of their annual income from the health care industry	Board, Corp Compliance Officer	AA Application to assure compliance. Consulted with HRSA SAC-AA staff concerning faculty and insurance employees not health care inc		
	F.2.6. The nominating committee will present additional member(s) for election to the board based upon the Board Recruitment and Retention Plan to assure special populations	Board, CEO	Annually		
	F.2.7. New member will complete new member application package which includes background check, Medicare reporting, resume job description, 330 program requirements, bylaws and new member orientation.	CEO, Board of Directors	Annually		

FOCUS AREA: Governing Board

GOALS:	Key Action Steps:	Key Staff:	Time Frame:		
F.3. The bylaws and written corporate compliance board approved policies shall include provisions that prevent conflict of interest by board members, employees, consultants and those who furnish goods/services to the center.	F.3.1. No board member shall be an employee or immediate family member of an employee.	Board w/legal counsel input	In compliance with ongoing evaluation		
	F.3.2. The CEO may serve as an ex-officio member of the board	Board of Directors	Annual Audit . CEO is non voting Ex Officio only.		
	F.3.3. All members will complete the annual disclosure statement and as needed	Board of Directors	In compliance with ongoing evaluation		
	F.3.4. The board will implement an on-going compliance program which is incorporated into the daily work flow and reporting mechanisms.	CEO, CCO, Board of Directors	In compliance with ongoing evaluation		

MEMORANDUM OF AGREEMENT
BETWEEN
BOND COMMUNITY HEALTH CENTER, INC.
NEIGHBORHOOD MEDICAL CENTER, INC.
AND THE
CENTER FOR HEALTH EQUITY
FLORIDA AGRICULTURAL & MECHANICAL UNIVERSITY

THIS MEMORANDUM OF AGREEMENT is made and entered into this ____ day of ____, 2014, by and between the Board of Directors of BOND COMMUNITY HEALTH CENTER INC. (hereinafter "Bond"), the Board of Directors of NEIGHBORHOOD MEDICAL CENTER, INC. (hereinafter "NMC"), and the Florida Agricultural & Mechanical University CENTER FOR HEALTH EQUITY (hereinafter "the Center"), all being referred to in the aggregate as the "Parties".

WITNESSETH:

WHEREAS: The Parties agreed among themselves to form a healthcare alliance to address certain systemic and persistent medical challenges found among the medically underserved population in their respective areas; and

WHEREAS: The combined affiliation between Bond, NMC and the Center is specifically designed to reduce morbidity and mortality experienced in medically underserved type 2 African-American diabetic residents; and

WHEREAS: This will be an ongoing relationship that will utilize and assess the impact that a patient care model developed by the Center has on improving control of blood glucose and reducing the development of complications that result from inadequate control; and

WHEREAS: Successful implementation of the proposed model as documented by improved glycemic control and other improved health indicators will be recommended for use in other clinics serving the medically underserved; and

WHEREAS: The affiliation between the Center, NMC and Bond is novel, a combined effort is essential to the reduction and ultimate elimination of health disparities within the Leon County community.

NOW THEREFORE, the Parties hereby set forth in this Memorandum of Agreement the specific manner in which they will collaborate in the development and maintenance of strategic efforts to reduce morbidity and mortality experienced in medically underserved type 2 African-American diabetic residents in Leon County, Florida.

Background

Diabetes continues to be a major cause of death in Florida and in Leon County, Florida among African-Americans. The death rate from diabetes in Leon County among African-Americans is twice that of other racial groups according to Florida Department of Health. Medical providers at Bond and NMC currently manage significant numbers of underserved African-American diabetic patients in Leon County and environs. In order to reduce this well-recognized health disparity in this area, providers at both facilities can work to improve values of various disease indicators that have been proven to reduce morbidity and mortality. This can be accomplished through the enhancement of care provided by each through a program designed to intensify education of these patients and to identify and remove social and physical determinants that prevent effective control of the disease. Development of a model of care to improve key health indicators such as hemoglobin A1C, blood pressure control and other related factors could contribute to the resolution of this disparity if administered continually and consistently. The benefits of maintaining hemoglobin A1C less than 7 is a well-recognized indicator that contributes to reduce morbidity and mortality in this disease.

Primary Goal

The primary goal is to improve the management of diabetes in underserved and uninsured patients in Leon County through implementation of a collaborative model of care between NMC and Bond designed to improve the disease indicators that contribute to mortality.

Collaborative Roles of the Parties

NMC and Bond are community partners affiliated with the Center. The over-arching mission of this collaboration is to use its community-based resources and facilities in an effort to help reduce health disparities, morbidity and mortality in diseases that primarily affect minority and disadvantaged patients. The Center will assist the Bond / NMC alliance in designing a joint model of care to improve health indicators among African-American Diabetics managed by both.

Program Objectives

Through implementation of a model of care at both facilities sharing appropriate resources, the specific measureable objectives are as follows:

1. Reduce the proportion of persons with diabetes with an A 1c value greater than 9 percent by 10% from baseline measurements.
2. Increase the proportion of the diabetic population with an A1c value less than 7 percent
3. Increase the proportion of persons with diagnosed diabetes whose blood pressure is under control by 10% of baseline measurement
4. Increase the proportion of adults with diabetes who have at least an annual foot examination by 10% of baseline measurement
5. Increase the proportion of adults with diabetes who perform self-blood glucose-monitoring at least once daily by 10% of baseline measurements

Model and Program Implementation

Overview

The Diabetes Outcomes Improvement Program will be implemented in 3 phases:

- a. Baseline assessments utilizing both retrospective chart reviews and diabetes behavioral risk factor surveillance surveys
- b. Development and implementation of intervention strategies
- c. Post intervention assessment

Baseline Assessments

The Center will provide two faculty members assigned to each health center to review medical records for diabetic patients to obtain baseline values of A 1c and blood pressures. Patients who have received care within the past 12 months will be evaluated. Appropriate queries will be made in the electronic medical records using appropriate ICDS-9 Codes at both facilities to ensure consistency in patients entering the program. Appropriate evaluation tools are developed to capture information retrospectively. Demographics (age, sex, race) will be collected. Other information will include baseline lab values as discussed as well as economic and various social indicators.

Model Development and Implementation

The Center will use its interprofessional model (CHE-IP Model) to collect laboratory data, identification of social, mental and other variables that will affect adherence to therapy and overall improvement in the key health indicators selected. This model requires the following human resources:

Pharmacist (provided by the Center)

Pharmacist Research Fellow (provided by Center)

Social Worker/Case Manager (provided by the Bond / NMC Alliance)

Mental Health Specialists (provided by the Bond / NMC Alliance)

Physicians/ARNPs (provided by the Bond / NMC Alliance)

Data Analysis and Reporting to Clinic (provided by Center)

All forms for evaluation and analysis of the outcomes will be conducted by the Center

Analysis

The program will be ongoing once baseline data is collected. Use of appropriate statistical programs will insure constant input and analysis of data via use of appropriate statistical software. Monitoring improving health indicators will occur at 3, 6, 9 and 12 months. Problems will be identified and resolution of problems will be used to improve the program and strength of the model and its ability to contribute to the positive health outcomes sought.

Significance

This program represents the combined efforts of two indigenous health centers working cooperatively to improve the health of their collective patient populations with the assistance of an historically black university (HBCU) with a similar mission: to improve the health of minority and disadvantaged citizens.

IN WITNESS WHEREOF, the official representatives of the parties execute this Memorandum of Agreement as of the date aforementioned.

NEIGHBORHOOD MEDICAL CENTER, INC.

By: Alexis [Signature]
Title: Board Chair NMC

BOND COMMUNITY HEALTH CENTER, INC.

By: [Signature]
Title: Board Chair

FAMU CENTER FOR HEALTH EQUITY

COLLEGE OF PHARMACY & PHARMACEUTICAL SCIENCES

By: [Signature]
Title: Dean, College of Pharmacy

Rosemary Evans - previous meeting re. possible merger

From: Rosemary Evans
To: bgoodman@bondchc.com; ojones@neighborhoodmedicalcenter.org
Date: 4/29/2014 5:38 PM
Subject: previous meeting re. possible merger
CC: Candice Wilson; Eryn Calabro

Dear Mr. Goodman and Ms. Jones:

County Administration has requested that we include something written from your organizations in our upcoming workshop that summarizes the meeting(s) where a possible merger was discussed. To facilitate getting this as quickly as possible, I have summarized my notes about this subject from our meeting together on April 22, 2014. They are as follows:

Bond and NMC met and discussed a possible merger. Out of this meeting came the following conclusions:

- The Florida Association of Community Health Centers, HRSA, and individual attorneys for the organizations were involved and concluded a merger was not possible due to, among many concerns, the liability of assuming another organization's data and debts.
- It is not possible to completely merge without Bond losing its identity.
- Bond plans to continue under its current business model.
- Patient choice is a top priority for both organizations and would be lost in a merger.
- NMC will not takeover Bond.
- The extent of NMC's willingness to collaborate is on individual programs, and only on those that are allowed within HRSA's policies and procedures. HRSA does not mandate or define collaboration, however it is strongly encouraged.

It would be most preferable to also include the date, place, and the participants who discussed this merger, if one of you could please provide that information.

Thank you for your swift assistance in this matter as we work to get something in writing for County Administration and the Board. Please confirm receipt of this email and also approve or amend my summary above. A non-response will be construed as an approval of the above.

Sincerely,
Rosemary Evans

Rosemary F. Evans
Healthcare Services Coordinator
Leon County Office of Human Services and Community Partnerships
918 Railroad Avenue
Tallahassee, Florida 32310
Phone: 850-606-1900
Email: EvansR@leoncountyfl.gov

Rosemary Evans - Previous Meeting; Merger Conversations

From: Oretha Jones <OJones@neighborhoodmedicalcenter.org>
To: "Rosemary Evans (EvansR@leoncountyfl.gov)" <EvansR@leoncountyfl.gov>
Date: 4/30/2014 10:06 AM
Subject: Previous Meeting; Merger Conversations

Potential Merger of the Two Organizations:

The topic of a corporate merger of the two organizations has been suggested by multiple interested parties. From a high level view a merger sounds like a good thing, however, once you start looking into the specifics of a merger it is not a viable course of action at this time.

In any merger there is a surviving corporation and a corporation that will cease to exist upon being absorbed into the surviving corporation. Accordingly, either Bond or NMC would be the surviving corporation. It is our belief, based on current circumstances, that NMC would have to be the surviving corporation. There are a number of reasons for this, however, the most significant would relate to NMC's recent award of Section 330 grant funds, allowing NMC to become an FQHC, and the decision not to award Bond Section 330 funds, thereby effectively terminating its FQHC status. We believe it to be extremely unlikely that HRSA would approve of a defunded former grantee (Bond) becoming the Successor in Interest to a Section 330 grant that HRSA effectively took away from the former grantee. Therefore, the only plausible merger would be for NMC to become the surviving entity and absorb Bond. As indicated below, we do not believe that is viable option.

A merger of NMC and Bond, or any organization, would require a substantial due diligence process that would encompass a number of issues. Perhaps the most important of these issues would be an evaluation of the assets and liabilities of Bond. If Bond merged into NMC, NMC would become responsible for Bond's outstanding liabilities. While NMC has not had the opportunity to conduct a due diligence process, it is believed that Bond may have substantial liabilities that would need to be evaluated. (Please note the term "liabilities" should not be viewed as negative term but rather reflects the fact that a large organization such as Bond which has been in business for a long period of time will have certain liabilities (contractual obligations, mortgages, etc..) that must be evaluated.)

In addition to the business concerns of a proposed merger, there are also concerns that HRSA would take issue with a new grantee taking on such additional obligations without first having provided some evidence that it will be able to perform the obligations for which it is funded. I would note, NMC's grant application was not a mirror image of Bond's. NMC's current scope of project includes specific sites of service, trying to bring Bond's current operations into NMC's scope of project is not automatic and would be subject to HRSA approval.

1. Meeting in Gretna with Antonio Jefferson and Bernard Goodman: 04/01/2014 at 1pm
2. Meeting with Antonio Jefferson at NMC: 04/18/2014 at 5:30pm
3. Meeting at NMC with NMC and Bond Executive Boards, Steve Weinman, Gaye Williams & Andy Behrman: 04/21/2014 at 7pm

Oretha Jones, MSN, ARNP, HCRM
Executive Director
Neighborhood Medical Center, Inc.

Rosemary Evans - Meetings with NMC

From: Bernard Goodman <bgoodman@bondchc.com>
To: "Rosemary Evans (EvansR@leoncountyfl.gov)" <EvansR@leoncountyfl.gov>
Date: 4/30/2014 11:43 AM
Subject: Meetings with NMC
Attachments: AVG Certification.txt

Ms. Evans,

Your synopsis is correct. Below are most of the meetings Bond has had with NMC since 12/2013. I believe there may be two others we're researching.

Meetings with NMC

12/5/13 – @ NMC:

BCHC: Antonio Jefferson, Board Chairman; Brenda Williams, Board Treasurer; Ruth Bedell, Board Secretary; Charles White, Board Member

NMC: A. McMillan, Board Chairwoman, C.Jones, Member, W. Abberger

1/8/14 - @FSU:

BCHC: Board Members: A. Jefferson, B. Williams, R. Bedell, W. Lamar, C. White, V. Ferguson, P.Okonkwo, R. Bedell, M. Pouncey; Staff: B.Goodman, T. Robinson, H. Knowles - Counsel

NMC: Board Members: A.McMillan, Kirksey, Mat Throw, Curtis Jones

3/29/14 – @ FAMU

BCHC: Okonkwo, Jefferson, Bedell, Goodman, Williams,

NMC: McMillan, O.Jones, M. Thompson, Kirksey (Phone), Duncan Moore,

4/1/14 – @ Gretna FL:

BCHC: A.Jefferson, b. Goodman

Nmc: o. Jones, Jones' assistant

4/3/14 – @ FAMU:

BCHC: A. Jefferson, B.Goodman, B. Williams,

NMC: D. Moore, M. Throw, O.Jones

4/21/14 – @NMC

BCHC: A. Jefferson, B. Williams, B. Goodman,

NMC: A. McMillan, Steven Weinman – Consultant, Andy Behrman – FACHC, O.Jones, NMC COO

Regards,

Bernard Goodman, MHA

Chief Executive Officer

Bond Community Health Center, Inc.

1720 South Gadsden Street

Tallahassee, Florida 32301

Office: 850-576-4073

Email: bgoodman@bondchc.com



2014/2015 Non-Departmental Funding Request Application

Leon County Office of Human Services and Community Partnerships
Primary Healthcare Program

SUBMISSION DEADLINE: Wednesday, April 30, 2014

Please read each question carefully and be thorough in your responses.
The following attachments **must** accompany the application:

1. Agency's Articles of Incorporation
2. Agency's most recent tax return
3. Agency's most recent financial report or audit, including the audit management letter

A. Organizational Information

Legal Name of Agency: Bond Community Health Center, Inc.

Agency Representative: Bernard Goodman, M.H.A., Chief Executive Officer

Physical Address: 1720 S. Gadsden Street, Tallahassee FL 32301-5506

Mailing Address: 1720 S. Gadsden Street, Tallahassee FL 32301-5506

Telephone: (850) 576 - 4073, ext. 205

Fax: (850) 576 - 2615

E-mail Address: bgoodman@bondchc.com

Agency Employer ID Number (FEIN): 59-2426414

Does the Agency have a 501(c)(3) status? Yes: X No: _____

Date of Agency Incorporation: June 22, 1984

RECEIVED
APR 30 2014

B. Program Information

1. *Succinctly describe the program for which funding is being requested. Please include types of services provided. (Attach additional pages as necessary)*

Although Bond Community Health Center lost the HRSA Service Area Competition for continued FQHC funding, Bond will continue to operate as a major provider of primary healthcare to all populations in Leon and neighboring counties. Bond is applying to HRSA for FQHC Look-Alike status which will qualify Bond for an enhanced Medicaid and Medicare reimbursement rate. It should also be noted that efforts are being made to streamline the organization by 30 percent over the next three months, improve operational efficiencies and initiate a strategic plan to ensure its future financial viability under a new business model.

Bond Community Health Center, Inc. will continue to provide comprehensive primary care to residents of Leon County. Services include Pediatric care; Adult, Adolescent and Geriatric care; OB/GYN; Diabetes care; Chronic disease management, Dental services; Diagnostic x-ray and laboratory; HIV/AIDS primary care, Case management and support groups; Social Work services; Behavioral Health assessments and referral services; Primary care to behavioral health clients, Specialty care to chronic disease patients (Podiatry, chiropractic, ophthalmology), Smoking Cessation; Community Outreach; Health Education, Nutritional services; Pharmacy services; Healthcare for the Homeless services; Public Housing health care, and Mobile Primary Care Services.

Bond is participating and in-network with all major insurance plans and carriers, including Blue Cross and Blue Shield (Florida Blue) which is the only Affordable Care Act plan in our region, at this time. Bond is in-network with the Florida Medicaid Managed Medical Assistance Program's (MMA) Standard (Non-Specialty) plans for region 2. Bond is also participating and in-network with the MMA Specialty plans that will serve populations with a distinct diagnosis or chronic condition. Bond has been selected as the authorized provider to render covered services to Medical Benefit Settlement Class Members of the BP Oil Spill Settlement.

Bond CHC is requesting continued funding in the amount of \$805,140 to:

- a) Increase access to primary care services for uninsured Leon County residents in an effort to also reduce and prevent unnecessary emergency room visits and inpatient hospitalizations;
- b) Cover a portion of Bond's cost to extend the hours of operations to the public to evenings and weekends;
- c) Continue Bond's Continuity Clinic (Continuity and chronic disease management/ medication management clinic) which is a continuous care / follow-up care collaborative with Tallahassee Memorial Hospital's and Capital Regional Medical Center's ER and hospitalization discharge departments with Bond (Hospitals utilize email messaging and phone calls to Bond's patient schedulers and management. This allows for speedy follow-up after hospital or emergency room visits. The medication management/disease management program assists patients who suffer from chronic diseases such as asthma, diabetes, congestive heart failure, and hypertension by assuring that all needed treatments are brought into care. Patients on multiple, expensive, or confusing medications receive assistance to ensure the most therapeutic and cost effective treatment regimen. Health education and self-management is a driving component of

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- this program);
- d) Hire 1 FTE Psychiatrist or licensed clinical social worker(s), for therapy and substance abuse counseling, to solidify Bond's Behavioral Health Program. This enhancement of existing primary care services will decrease barriers to mental health by collocating and fully blending primary care and behavioral healthcare services to Bond patients, and expanding existing mental health support provided by Bond's medical providers. The need for enhanced behavioral counseling and substance abuse treatment continues to escalate in the low income communities served by Bond. Bond is attempting to address this issue by referring many of its patients to NMC's part-time behavioral specialist via a Memorandum of Agreement. However, the demand for behavioral health counseling and psychotropic drug management is sky-rocketing. Bond medical providers are reporting a rapid increase in indigent and chronically ill patients requiring behavioral health services, along with its already large mentally ill patient population. Bond continues to have difficulty referring its uninsured patients who require behavioral health services.
 - e) Expand Bond's Specialty Care and Wellness Center staffed by medical specialists who provide podiatry, chiropractic, ophthalmology, nutrition, weight management counseling, health education and smoking cessation counseling to uninsured patients. Bond is collaborating with NMC to make these services available to their patients, and will welcome all primary care providers in Leon County who are having difficulty referring their uninsured patients who require the specialty services offered at Bond's specialty care and wellness center.

Bond receives funding from Leon County to increase access to primary care services for women and children, pharmacy operations and fee for service for uninsured individuals. A percentage of the funding is utilized to pay staff salaries and the remainder provides matching funds to state grants that addresses the high number of uninsured in Leon County. Leon County also provides funding that supports the Pharmacy program staffing which offers Federal 340B discounted medications. In an effort to reduce and prevent unnecessary emergency room visits and inpatient hospitalizations, the County provides a portion of its primary care funding as matching dollars to a State grant where Bond CHC extends its hours of operations, provides basic radiology services, and collaborates with area hospitals to provide a continuity and disease/medication management clinic. In addition, BCHC also receives county primary healthcare funding that matches the State's Low Income Pool funding which supports the services of a same day walk-in medical provider to serve uninsured Leon County residents. The center's dental clinic is also supported through matching dollars provided by the County. Leon County's primary care funding pays for 2,656 uninsured visits annually equating to 1,062 patients. BCHC recorded 44,789 patient visits in 2013, Leon County residents accounted for over 28,000 of total patient visits.

Since 2009, Bond CHC has been successfully integrating primary care and mental health care to its adult population at both its 1720 Gadsden Street site and its Bond-Apalachee Wellness Integration Center (BAWIC) site. Patients have had access to licensed psychiatric professionals on the same day of primary care services. Over the past several years the Center has seen a great demand for extended mental health services. Increased scrutiny and reporting requirements by the State Medical and Pharmacy Boards has deterred primary care providers from treating mental health patients that require Schedule II and III medications for treatment without the guidance and prescribing privileges of a psychiatrist. With these new

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funds, the integrated model will be replicated and expanded to include the ability to hire a psychiatrist or licensed behavioral health professional(s) to solidify Bond's Behavioral Health Program

- 2. Why is this funding being requested? If this funding request is not approved, what would be the impact on your agency or program for which funding is sought?*

Funding is being requested and is critical in order to provide access to primary healthcare, behavioral health and specialty care services for the vulnerable uninsured residents of Leon County. It will also provide support to families affected by substance abuse and mental illness. One-third of all hospital readmissions for chronic disease and primary care complaints are associated with untreated mental illness. Primary care treatment outcomes are directly related to the diagnosing and treatment of mental health problems associated with the patients' primary medical issues.

If this funding is not approved Bond would have to reduce many of the services provided, as well as reduce its work force and eliminate programs such as the Women and Children's health programs. Bond would also be forced to reduce the number of uninsured patients it treats, thereby reducing access to care for the most vulnerable. This would be devastating considering the significant increase in uninsured patients seen at Bond as a result of unemployment and loss of insurance coverage. Also, without this funding, the community will continue to see children with great needs for stimulant medications in the place of comprehensive treatment and adults requiring pain medications as depression or anxiety masks itself as somatic pain. Children are on waiting lists to be evaluated for behavioral problems because the numbers of psychiatrists in the area who attend to children are limited. In the meantime, primary care physicians and pediatricians are left to spend an inordinate amount of time during the patient visit addressing behavioral health issues and devising a patient management plan for both primary and behavioral health issues.

- 3. Projected program impact/outcome results: What is the projected impact on the target population?*

In 2013 uninsured patients accounted for 58.5 percent (26,202) of the 44,789 patient visits at Bond. Over 65 percent (29,113) of patients treated in 2013 were at or below 100 percent of poverty. Leon County residents accounted for over 28,000 of total patient visits. The projected impact/outcome on this vulnerable population of uninsured is increased access to care, improved health outcomes, increased number of patients served, access to discounted medications, decreased number of preventable diseases, longer life expectancy, reduction in the number of patients accessing the emergency room for primary healthcare, reduction in infant mortality, decreased incidences related to oral health care. The projected impact is the provision of comprehensive, quality healthcare services to over 8,000 uninsured Leon County residents (28,000+ patient visits) who call Bond their medical home. Bond's mission of primary and preventive healthcare to the community will only be successful through Bond's committed partnerships with LCBCC, AHCA, DOH and all area healthcare provider and human service organizations. Bond has affiliation agreements with 17 health and human service entities throughout Leon and surrounding counties (See attachment). Our intent is to expand those relationships exponentially.

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4. List the targeted population projected to be served or benefit from this program.

The targeted population served and benefiting by the programs at Bond CHC are 8,000 uninsured Leon County residents of all life cycles including the pediatric, adolescent, adult, geriatrics, mental health, HIV/AIDS and homeless populations that accounted for over 28,000 patient visits in 2013. Greater than 85 percent of the 44,789 patients Bond served in 2013 reside within a few miles of Bond's four service sites. Transportation challenges of the uninsured and low-income will, for the most part, preclude crossing community health provider service areas.

5. Provide the methods that are being used effectively to attain this program's targeted population.

Bond's outreach and education staff collaborate with numerous safety net providers to meet, greet and educate patients and the community about health issues, the new Affordable Care Act insurance plans and benefits and Bond's medical and dental services. Bond is joint venturing with the three area health plans (Prestige Health, Wellcare and BCBS) chosen to participate in the Affordable Care program. Together Bond's Outreach team and the ACA health plans are scheduling marketing and information events in the communities around Bond's service sites. Bond will make every effort to attain the program's targeted population in several ways. Bond's medical provider teams and outreach and education staff will talk with and provide information to patients, community medical providers and human service agencies and stakeholders.

Patient selection for receiving care from the chronic disease specialists and behavioral health teams will be determined by the primary care providers and case managers. Patients who are identified as suffering from a chronic or life-threatening disease, patients who screen positive for substance abuse and alcohol, patients that violate their medication contract, patients referred from the local schools, and patient identified through the SWAG program—an adolescent risk assessment collaborative project with the University of Florida and Florida State University will also be referred for care. Though many of these patients are in need of pain management, the majority of them need substance abuse counseling.

6. Outline the phases and time frames in which this program or event will be accomplished if funded.

BCHC operates Monday through Thursday from 8am to 7pm, Friday 8am to 5pm and Saturdays 9am to 2pm. Clinical services and performance measures are evaluated monthly by the clinical team and quarterly by the Continuous Quality Assurance / Improvement Committee of the center. Some agency goals are on-going while others are based on monthly or one year goals such as the implementation of new programs.

7. List the program's short-term, intermediate, and long-term goals.

Increasing access to primary healthcare services is the main goal of the center along with intermediate and long term goals such as improved health outcomes and health status of the vulnerable populations being served at Bond that will allow them to live stronger and longer.

Goals consist of the following:

- Increase the percentage of patients with diagnosed hypertension who have regular blood pressure checks and documented self-management goals.
- Increase the number of adults provided routine annual cancer screening in accordance with established clinical guidelines, including PAP smears and prostate cancer screens
- Provide annual routine screening for HIV and other Sexually Transmitted Diseases (STDs) for all clients ages 18 – 64.
- Provide regular access to seasonal influenza vaccines for adults and children, pneumovax for seniors and others as clinically indicated, and childhood/adolescent immunizations in keeping with recommended guidelines.
- Ensure geriatric risk assessments for those with symptoms of Alzheimer's Disease that might otherwise be diagnosed as depression.
- Provide basic lab and other diagnostic services including x-ray with regular access to basic CLIA Waived lab testing, EKG, blood pressure checks, urinalysis, pregnancy screening, and other recommended tests for routine preventive care and ongoing care for those with chronic diseases, such as diabetes and hypertension.
- Improve primary care outcomes
- Prevent, identify and treat substance abuse in adults and children
- Improve coping skills of parents who care for children with psychiatric diagnosis and behavioral problems
- Identify pediatric patients early with treatable mental health and behavior problems
- Decrease the mental health disparities in minorities and the underserved by decreasing the stigma associated with seeking mental health care
- Decrease violent acts and deaths associated with mental health and substance abuse
- Decrease ER and inpatient days secondary to decompensated mental health problems or relapses of substance abuse
- Decrease rates of domestic and child abuse
- Decrease stimulant medication prescribed by pediatrician
- Decrease Schedule II and III medications prescribed by primary care physicians
- Decrease expulsion rates and incarceration rates

FY 2014/2015 Non-Departmental Funding Request Application

<u>Health Care Area</u>	<u>Health Status Indicator</u>	<u>Goal</u>	<u>Data Source</u>	<u>Outcome</u>	<u>Comment Data as of July 2013</u>
Diabetes	Percentage of patients whose A1c is less than 9%	90% by 2017	EHR	81%	Continued improvement attributed to increase participation in group visit; intensity of diabetic education of CDE.
Hypertension	Percentage of patients with HTN whose BP is <140/90.	75% by 2017	EHR	64%	21% improvement from previous year. Further success hampered by the cost of the multitude of medications required to treat HTN and other comorbidities.
Weight Management Pediatrics	Percentage of children with BMI and counseling.	90% by 2017	EHR	21%	This was a 35% decrease from previous year. EHR data entry problem is suspected for drastic decline. Retraining of staff has be implemented.
Weight Management Adult	Percentage of adults with BMI and treatment plan as needed.	95% by 2017	EHR	82%	Documentation of treatment plans supported by EHR modules.
HIV and STD screening	Percentage of adults who received STD screening	85% by 2017	EHR	70%	This measure was limited to the homeless population as reported to HRSA. Compliance was increased by 20% due to nurse visits, ease of specimen gathering and outreach efforts.
Cancer Screening	Percentage of patient ages 51-74 with appropriate screening for colorectal cancer	80%	EHR	54%	FIT test were used to improve compliance with minimal success. Cost of colonoscopy was prohibitive for uninsured patients. Anticipated that compliance will improve with advent of ACA.

FY 2014/2015 Non-Departmental Funding Request Application

Cancer Screening	Percentage of eligible women who received Pap Smears	85% by 2017	EHR	74%	This was a 30% increase from the previous two years. Improvement attributed to target outreach and customized reminders and patient visits.
Access to Influenza vaccines	Percentage of adults vaccinated for influenza annually	65% by 2017	EHR	43%	No measurable success. The patient population has been difficult to penetrate mostly due to cultural ideas. Staff will replicate the target outreach efforts of the Pap Smear measure.
Access to Pneumovac	Percentage of eligible adults ever receiving pneumovac	65% by 2017	EHR	43%	No measurable success. The patient population has been difficult to penetrate mostly due to cultural ideas. Staff will replicate the target outreach efforts of the Pap Smear measure.
Behavioral Health/Prevention of Substance Abuse in Adults	Percentage of adults experiencing chronic pain referred to Behavioral Health	Note: This was a retrospective review. No benchmarks have been set.	FAMU-COPPS PharmD student research	40% patients	Predominance of insured patient referred than uninsured. (3:1) Predominance of patients who were referred were already on narcotic pain meds. (4:1) The CQI committee is reviewing benchmarks.

8. *What other agencies in Leon County (governmental, non-profit, and private) provide services similar to those which would be provided by this funding?*

Neighborhood Medical Center, Leon County's new FQHC, provides primary care services in Frenchtown and neighboring areas. Greater than 85 percent of the 44,789 patients Bond served in 2013 reside in most all areas of Leon County. Transportation challenges of the uninsured and low-income will, for the most part, preclude them from seeking health services outside their community.

FY 2014/2015 Non-Departmental Funding Request Application

Please use your response to Question 11 to answer Questions 12-13.

12. Please list the 2013/14 funding amount and associated expenditures requested from Leon County and Other Revenue Sources:

Actual Expenditure Detail	Leon County Funded	Other Revenue Sources	Total
Compensation and Benefits	546,433	5,251,770	5,798,203
Professional Fees	37,211	357,631	394,841
Occupancy/Utilities/Network	72,262	694,507	766,768
Supplies/Postage (incl. Medical and Office supplies)	48,751	468,548	517,299
Equipment Rental, Maintenance, Purchase	21,246	204,192	225,438
Meeting Costs/Travel/Transportation	5,844	56,169	62,013
Staff/Board Development/Recruitment	-	-	-
Awards/Grants/Direct Aid	-	-	-
Bad Debts/Uncollectible	-	-	-
Other Expenses			-
Bonding/Liability/Directors Insurance	4,667	44,851	49,517
Laboratory Fees	28,304	272,032	300,336
Medical Waste Collection	3,250	31,234	34,483
Electronic Health Records / Data Processing	19,030	182,902	201,932
Patient Transportation	2,065	19,844	21,909
Uniforms	348	3,341	3,689
Laundry	1,519	14,598	16,117
Marketing & Promotional	7,137	68,598	75,736
Miscellaneous	7,074	67,985	75,059
Total	805,140	8,376,183	8,543,341

13. Please list the following Revenue Sources for the current year and the upcoming year below:

Revenue Sources	2013/14 (Current)	2014/15 (Proposed)
CHSP	805,140	805,140
Leon County (not CHSP)		
City of Tallahassee (not CHSP)		
United Way (not CHSP)		
State	1,710,785	1,710,785
Federal	3,320,090	1,020,090
Grants		
Contributions/Special Events		
Dues/Memberships		
Program Service Fees	2,200,000	2,200,000
Utilized Reserves		
Apalachee/BAWIC Collaboration	510,492	201,960

FY 2014/2015 Non-Departmental Funding Request Application

Total	8,546,507	5,937,975
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14. Please list the following expenses for the current year and the upcoming year below:

Actual Expenditure Detail	2013-2014	2014-2015 (budgeted)
Compensation and Benefits	5,798,203	4,029,991
Professional Fees	394,841	274,431
Occupancy/Utilities/Network	766,768	507,353
Supplies/Postage (incl. Medical and Office supplies)	517,299	359,544
Equipment Rental, Maintenance, Purchase	225,438	156,689
Meeting Costs/Travel/Transportation	62,013	43,102
Staff/Board Development/Recruitment	-	-
Awards/Grants/Direct Aid	-	-
Bad Debts/Uncollectible	-	-
Other Expenses	-	-
Bonding/Liability/Directors Insurance	49,517	60,000
Laboratory Fees	300,336	208,746
Medical Waste Collection	34,483	23,967
Electronic Health Records / Data Processing	201,932	140,351
Patient Transportation	21,909	15,227
Uniforms	3,689	2,564
Laundry	16,117	11,202
Marketing & Promotional	75,736	52,640
Miscellaneous	75,059	52,169
Total	8,543,341	5,937,975

15. Describe actions to secure additional funding. Please be specific.

BCHC plans on submitting a request for matching funds for the State DOH Expanding Access to Primary Care grant program for fiscal year 2014 / 2015. If matching funds are provided to BCHC, it would allow the center to leverage the county funds by bringing in additional Federal and State dollars sometimes almost 3-4 times the amount of the match.

16. Will this program or event recur every year?

No: _____ Yes: _____ **X** _____

17. Would funding by Leon County be requested in subsequent years for successful completion of the program?

No: _____ Yes: _____ **X** _____

If "yes," estimate, the amount of next year's funding request: \$ 805,140

FY 2014/2015 Non-Departmental Funding Request Application

18. Has Leon County contributed funds to this program in the past 5 years?

No: _____ Yes: X

If "yes," list date(s), recipient or agency, program title and amount of funding:

<u>Date</u>	<u>Recipient or Agency</u>	<u>Program Title</u>	<u>Funding Amount</u>
2001 - present	Bond CHC	Primary Care, Women and Children, and Mental Health Programs	\$ 805,140 (13/14)

CERTIFICATION

I, the undersigned representative of the Agency, organization or individual making this request, certify that to the best of my knowledge all statements contained in this request and its attachments are true and correct.

Print Name: Bernard Goodman, M.H.A., Chief Executive Officer

Signature: *[Handwritten Signature]*

Date Signed: 4/30/14

ATTACHMENT 7: Summary of Contracts, Agreements, MOU'S, etc.

Serial #	Name of Health Care/Agency	Contact Information	Type	Brief description of Purpose and Scope of Contract	Time Frame
1	Tallahassee Memorial HealthCare/Family Medicine Residency Program Asterisk(*)	Donald Zorn, MD (Program Director) 850-431-5430	MOU	This MOU pertains to the referring patient from Bond to TMH emergency room and inpatient services, and from TMH to Bond outpatient primary care services.	Effective August, 2013. Ongoing with 30 days prior notice for termination.
2	Apalachee Center Inc. Asterisk(*)	Jay Reeve, Ph. D (President/CEO) (850) 523-3201	MOA	Referral of patients to ACI for behavioral health and substance abuse services (inpatient and outpatient), as well as referrals to Bond for outpatient primary care services.	Effective April, 2013. Ongoing with 30 days prior notice for termination
3	Florida State University College of Medicine (FSUCOM) Asterisk(*)	Mollie Hill (Director of Community Clinical Relations) 850-644-8936	Agreement for Professional Clinical Services	FSUCOM will provide clinical services to Bond's patients at the outpatient Medical Center through appropriate trained and licensed faculty member. Bond will provide conducive and healing environment for patient care, and will provide appropriate educational training as required for patient care.	Effective April 2013—April 2014. Automatically renews after one year.
4	Leon County Primary Healthcare Program Asterisk (*)	Vincent S. Long (County Administrator)	Contract	Bond will provide Primary Health Care to residents of Florida living within the big bend area.	Effective October 1, 2013 to September 30, 2014, with 30 days prior notice for termination.
5	Capital Area Action Agency— Head start Dental Program	Barbara Evans (Executive Director) 850- 201-2050	Agreement for provision of Dental Services (need signed	Bond will provide dental examination, sealants, fillings, extractions, X-ray, prophylaxis, and other	Effective September 1, 2013—August 31, 2014.

	Asterisk(*)		copy of agreement)	services required to prevent pain and infection, while Capital Action Agency will refer patients that need dental services to Bond.	
6	Tallahassee Memorial HealthCare/Family Medicine Residency Program	Donald Zorn, MD (Program Director) 850-431-5430	MOA	This MOU pertains to referring patients to TMH for prenatal obstetric and services. TMH will accept high risk and uncomplicated patients for prenatal services. TMH will also refer to Bond patients without medical home for prenatal, HIV/AIDS, and internal medicine services.	Effective December 17, 2012. Ongoing with 30 days prior notice for termination.
7	Apalachee Center Inc.	Jay Reeve, Ph. D (President/CEO) (850) 523-3201	Sub agreement	BAWIC contract/SAMHSA Bond will provide medical and treatment services for patient referred to Apalachee. Apalachee will provide facility and equipment other needed support needed by Bond at Apalachee Medical Center.	Effective October 1, 2010 – September 30, 2014.
8	Gadsden County Health Council	Howard McKinnon (Executive Director) 850-875-7200	MOA	Provision of primary healthcare services to uninsured and underinsured legal residents of Gadsden County	Effective January 16, 2013. Ongoing with 30 days notice to renegotiate.
9	Minority Alliance For Community Advocating Awareness and Action Inc.,(MAACA)	Sylvia Hubbard (Executive Director) 850-251-3426	Interagency collaborative agreement	Provision of outreach services to HIV positive patients to Bond, and referral services. Bond will link appropriate HIV patients to MAACA for peer prevention services	Effective July 3, 2012. Ongoing With 30 days written notice for termination

10	Big Bend Cares Inc.	Robert Renzi, MA (Executive Director) 850)656-2437. Ext. 240	MOA	This agreement pertains to Ryan White title II and III programs. Bond will provide to HIV patients... Primary health care services, laboratory services, HIV counseling, transportation, and health education, while Big Bend Care provides...nutrition, oral health, food bank, CMV Screenings, Home Health Care, and mental health services.	Effective July 1, 2006, ongoing, with 30 days prior notice for termination.
11	Big Bend Cares Inc. (BBC)	Robert Renzi, MA (Executive Director) (850)656-2437. Ext. 240	MOA	BBC will link patients with need for Dental care to Bond's dental department (Smile connection), while Bond will evaluate and provide treatment for BBC patients under part C program and private insurance.	Effective October 1, 2012. Ongoing with 30 days prior notice for termination.
12	Florida Department of Health Department	Holly S. Kirsch, MD (Acting Administrator) 850-606-8160	Contract	Bond to provide primary care, mental health, pediatric, obstetric and prenatal and pharmaceutical services to the uninsured residents of Leon County.	Effective July 1, 2013 – June 30, 2014.
13	Whole Child Leon and 17 other parties.	Courtney Atkins Executive Director	MOU	Whole child Leon will provide leadership and support for development and implementation of the childhood mental health services. Bond will provide support and mental health services as agreed upon with Whole child Leon and other 17 parties in Leon and Gadsden Counties.	Effective April 12, 2013--- March 31, 2014, renews annually with 30 days notice prior to date of expiration.

14	Leon County Health Department (LCHD)	Homer J. Rice RS, MPH (Administrator) 850-606-8160	MOA	LCHD to provide HIV/AIDS 500 prerequisite courses, HIV testing supplies, laboratory services, quality improvement, and other technical assistance, while Bond will provide HIV registered testing and counseling services as testing site, complete required paperwork for pre, and post testing services, follow applicable statutes for confidential HIV testing.	Effective September 01, 2006, and shall be ongoing with 30 days advance notice for termination
15	Radiology Associates of Tallahassee (RA)	Mr. Lance Hampton 850-878-4127	Professional interpretative agreement	RA will perform primary interpretation for x-ray studies, while Bond will transmit studies to RA via DICOM modality via peer to peer VPN network connection.	Effective September 13, 2011. Ongoing may be terminated for cause with 30 days written notice.
16	Quest Diagnostics Laboratory Services	Brenda Wood 1-866-697-8378	Service Agreement	Quest will provide clinical laboratory testing services to Bond at Bond's Medical Center, while Bond will perform specimen collection per provider orders.	Effective November 01, 2012. Ongoing until terminated upon 30 days prior written notice.
17	Big Bend Area Health Education Center (AHEC)	Glenda Stanley MA (Executive Director) 850-224-1177	MOA	AHEC will insure tobacco cessation class facilitators at Bond are properly trained and Provide materials for tobacco cessation classes. Bond will hold tobacco cessation classes at Bond Medical facility for Leon County residents.	Effective July 1, 2011 – July 30 2012. Renews annually.

BOND COMMUNITY HEALTH CENTER, INC.

**Financial Statements,
Schedule of Expenditures of Federal Awards,
Internal Control and Compliance
(With Supplementary Information)
And Independent Auditor's Report
June 30, 2013**

**Harvey, Covington & Thomas of South Florida, LLC
3816 Hollywood Boulevard, Suite 203
Hollywood, Florida 33021
Telephone: (954) 966-4435
Facsimile: (954) 962-7747**

**BOND COMMUNITY HEALTH CENTER, INC.
1720 GADSDEN STREET
TALLAHASSEE, FLORIDA 32301**

ORGANIZATION AND GOVERNANCE

Organization

Bond Community Health Center was incorporated on June 22, 1984, as a nonprofit 501(c)(3) organization with the mission to improve the physical, spiritual, psychosocial, and psychological well-being of the residents of Leon and surrounding counties by providing access to the highest quality comprehensive family health services with particular concern for lower socioeconomic groups, regardless of their ability to pay.

Governance

The members of the Board of Directors for Bond Community Health Center, Inc. for the year ended June 30, 2013 were as follows:

Board of Directors

Executive Committee

Antonio Jefferson - *Chairman (Part Year-Active)*
Joseph Webster - *Chairman (Part Year)*
Peter Okonkwo - *Vice Chair (Part Year-Active)*
Clinton McLeod - *Vice Chair (Part Year)*
Ruth Bedell - *Secretary (Part Year-Active)*
Connie Gaalema - *Secretary (Part Year)*
Brenda Williams - *Treasurer (Part Year-Active)*

Board Members Listed With the State of Florida

William Lamar - *(Part Year-Active)*
Darryl Jones - *(Part Year)*

Chief Executive Officer

William Petit - *(Acting CEO) (Appointed After Year End)*
Debra Weeks - *(Interim CEO) (Part Year)*

**BOND COMMUNITY HEALTH CENTER, INC.
JUNE 30, 2013**

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FINANCIAL SECTION

HARVEY, COVINGTON & THOMAS, LLC

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bond Community Health Center, Inc.
Tallahassee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Bond Community Health Center, Inc. (a Florida nonprofit Organization) which comprise the statements of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. 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 Bond Community health Center, Inc. as of June 30, 2013, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - 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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date October 15, 2013, on our consideration of Bond Community health Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. Then purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bond Community Health Center, Inc.'s internal control over financial reporting and compliance.



Hollywood, Florida
October 16, 2013

BOND COMMUNITY HEALTH CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

Assets

Current assets:	
Cash	\$ 352,400
Patient services receivable, net	275,532
Contracts and other grants receivable	1,506,998
Inventory	72,988
Prepaid expenses	36,681
Total current assets	2,244,599
Property and equipment, net	4,171,196
Total	\$ 6,415,795

Liabilities and Unrestricted Net Assets

Current liabilities:	
Accounts payable and accrued expenses	\$ 759,786
Accrued compensated absences	176,566
Current maturities of long-term debt	61,326
Total current liabilities	997,678
Long-term debt, less current maturities	2,144,147
Total liabilities	3,141,825
Unrestricted net assets	3,273,970
Total	\$ 6,415,795

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

BOND COMMUNITY HEALTH CENTER, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue:			
DHHS grants	\$ 5,028,157	\$ -	\$ 5,028,157
Patient services revenue, net	2,954,389	-	2,954,389
Contract services and other grants	1,231,324	-	1,231,324
Pharmacy sales (net of costs)	392,476	-	392,476
Other	43,428	-	43,428
Contributions	27,563	-	27,563
Net assets released from restrictions	-	-	-
Total revenue	9,677,337	-	9,677,337
Operating expenses:			
Salaries and benefits	7,024,824	-	7,024,824
Office and occupancy	865,805	-	865,805
Medical supplies and expense	659,628	-	659,628
Contractual and consulting	605,485	-	605,485
Other	263,723	-	263,723
Provision for bad debts	18,003	-	18,003
Interest expense	114,793	-	114,793
Total operating expenses	9,552,261	-	9,552,261
Operating income (loss) prior to depreciation	125,076	-	125,076
Depreciation	242,827	-	242,827
Operating income (loss) prior to nonoperating revenue	(117,751)	-	(117,751)
Nonoperating activities:			
Interest Income	633	-	633
Total nonoperating activities	633	-	633
Increase (decrease) in net assets	(117,118)	-	(117,118)
Net assets, beginning of year	3,391,088	-	3,391,088
Net assets, end of year	\$ 3,273,970	\$ -	\$ 3,273,970

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

BOND COMMUNITY HEALTH CENTER, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Cash received from contracts and grants	\$ 4,886,815
Cash received patient services	2,909,295
Cash received from pharmacy sales (net of costs)	447,783
Cash received from other	71,624
Cash paid for personnel, contracts and consulting costs	(7,409,754)
Cash paid for other than personnel costs	(1,472,588)
Interest paid	(114,793)
Net cash provided by (used in) operating activities	<u>(681,618)</u>
Cash flow from investing activity:	
Purchase of property and equipment	<u>(350,185)</u>
Net cash provided by (used in) investing activities	<u>(350,185)</u>
Cash flow from financing activities:	
Repayment of long-term debt	<u>(77,070)</u>
Net cash provided by (used in) financing activities	<u>(77,070)</u>
Net increase (decrease) in cash	<u>(1,108,873)</u>
Cash, beginning of year	<u>1,461,273</u>
Cash, end of year	<u>\$ 352,400</u>
Reconciliation of increase in net assets to net cash provided by operating activities:	
Increase (decrease) in net assets	(117,118)
Adjustments to reconcile increases in net assets to net cash provided by operating activities:	
Provision for bad debts	18,003
Depreciation and amortization	242,827
Nonoperating contract services for capital additions	
Changes in operating assets and liabilities:	
(Increase) decrease in assets	
Contracts and other grants receivable	(1,372,666)
Patient services receivable	(45,094)
Inventory	55,307
Prepaid expenses and other assets	(35,683)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	352,251
Accrued compensation	220,555
Net cash provided by (used in) operating activities	<u>\$ (681,618)</u>

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

BOND COMMUNITY HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

Description	Program Services	General and Administrative	Total Expenses
Accounting	\$ -	\$ 83,477	\$ 83,477
Advertising - marketing	-	78,714	78,714
Audit	-	63,308	63,308
Bad debt	18,003	-	18,003
Communication	85,099	27,776	112,875
Computers and processing costs	256,804	-	256,804
Conferences and meals	-	6,756	6,756
Contract and consulting	93,520	4,463	97,983
Depreciation	242,827	-	242,827
Donations	-	300	300
Consumable program supplies	317,702	-	317,702
Payroll taxes	350,276	114,326	464,602
Fringe benefits	406,731	132,753	539,484
Insurance	28,024	3,822	31,846
Interest expense	114,793	-	114,793
Legal	-	117,503	117,503
Maintenance - vehicle	-	4,083	4,083
Medical dues, fees and other	370,542	-	370,542
Miscellaneous	-	19,509	19,509
Occupancy costs	331,273	46,073	377,346
Office expenses	-	269,756	269,756
Payroll and employment expenses	57,517	18,773	76,290
Salaries	4,549,690	1,529,539	6,079,229
Uniforms and laundry	25,346	-	25,346
Workers compensation	19,610	6,400	26,010
Totals:	<u>\$ 7,267,757</u>	<u>\$ 2,527,331</u>	<u>\$ 9,795,088</u>

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

**BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Bond Community Health Center, Inc. (the “Center”) was incorporated on June 22, 1984 as a 501(c)(3) nonprofit organization and obtains funding from various sources. The Center operates a community health center located in Tallahassee, Florida. The Center provides a broad range of health services to a largely medically underserved population.

The U.S. Department of Health and Human Services (the “DHHS”) provides substantial support to the Center. The Center is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

The Center’s mission is to improve the physical, spiritual, psychosocial, and psychological well-being of the residents of Leon and surrounding counties by providing access to the highest quality comprehensive family health services with particular concern for lower socioeconomic groups, regardless of their ability to pay

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards FASB ASC 958 (formerly SFAS No. 117), *Financial Statements for Not-For-Profit Organizations*. Under FASB ASC 958, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets represent the expendable resources that are available for operations at management’s discretion; temporarily restricted net assets represent resources restricted by donors as to purpose or by the passage of time; and, permanently restricted net assets are based upon the existence and nature of donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center. The Center did not have any temporarily or permanently restricted net assets as of June 30, 2013.

Cash

The Center maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. To date, the Center has not experienced any losses in such accounts. At June 30, 2013, the Center’s cash balance did not exceed federally insured limits. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents. There were no cash equivalents at June 30, 2013.

**BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Patient Services Receivable and Concentration of Credit Risk

The collection of receivables from third-party payers and patients is the Center's significant source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payer has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivable from third-party payers are carried as a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third-party payers. Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under the Center's charity care policy, less amounts covered by third-party payers and less an estimated allowance for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Center considers accounts past due when they are outstanding beyond 60 days with no payment. The Center generally does not charge interest on past due accounts. Patient receivables are written off against the allowance for doubtful accounts when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Inventory

Inventory consists of drugs and other pharmaceutical supplies and is stated at the lower of cost or fair market value. The Center utilizes a contract service that maintains the inventory and the related compliance under the standards for the United States Food and Drug Administration.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term. Expenditures, which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in change in net assets. The Center capitalizes all purchases of property and equipment in excess of \$1,500.

According to federal regulations, any property and equipment items obtained through federal funds are subject to a lien by the federal government. Provided that the Center maintains its tax-exempt status and the property and equipment are used for their intended purpose, the Center is not required to reimburse the federal government. If the stated requirements are not met, the Center would be obligated to the federal government in an amount equal to the fair value of the property and equipment.

**BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Center compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the assets' carrying values and the present value of estimated net cash flows or comparable market values giving consideration to recent operating performance and pricing trends. The Center does not believe that any material impairment currently exists related to its long-lived assets.

Patient Services Revenue

The Center has agreements with third-party payers that provide for payments to the Center at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including retroactive adjustments, if applicable, under reimbursement agreements with third-party payers, which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. The Center provides care to certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Self-pay revenue is recorded at published charges with charitable care deducted to arrive at gross self-pay patient revenue. Contractual allowances are then deducted to arrive at net self-pay patient revenue.

Grants and Contracts Receivable and Revenue

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when the expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted non-operating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances. At June 30, 2013, the Center has received conditional grants and contracts from governmental entities in the aggregate amount of \$241,554 that have not been recorded in the accompanying financial statements as they have not been earned. These grants and contracts require the Center to provide certain services or pay for specific expenditures during specified periods. If such services are not provided or expenditures incurred, the governmental entities are not obligated to expend the funds allotted under the grants and contracts.

Fund Raising Costs

There were no fund raising costs incurred for the fiscal year ended June 30, 2013.

**BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions are recorded at fair value when received or pledged. Amounts are recorded as temporarily or permanently restricted revenue if they have donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue. Conditional contributions are recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions.

Meaningful Use Incentives

The American Recovery and Reinvestment Act of 2009 ("ARRA") amended the Social Security Act to establish one-time incentive payments under the Medicare and Medicaid programs for certain professionals that: (1) meaningfully use certified Electronic Health Record ("EHR") technology, (2) use the certified EHR technology for electronic exchange of health information to improve quality of healthcare, and (3) use the certified EHR technology to submit clinical and quality measures. These provisions of ARRA, together with certain of its other provisions, are referred to as the Health Information Technology for Clinical and Economic Health ("HITECH") Act. The criteria for meaningful use incentives will be staged in three steps over the course of the next four years and be paid out based on a transitional schedule. The Center's providers have met the criteria for Stage 1 and have earned \$212,500 from the Medicaid incentive program as of June 30, 2013.

Interest Earned on Federal Funds

Interest earned on federal funds is recorded as a payable to the United States Public Health Service ("PHS") in compliance with the regulations of the United States Office of Management and Budget. There has been no interest earned on federal funds at June 30, 2013.

Functional Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Income Taxes

Bond Community Health Center, Inc., is a not-for-profit Organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financials statements. Contributions to the Center qualify for charitable contributions, subject to limitation.

**BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The presentation of financial statements in conformity with generally accounting principles 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.

NOTE 3 - PATIENT SERVICES RECEIVABLE, NET

Patient services receivable, net consists of the following:

Medicare and Medicaid	\$ 403,222
Other third-party	229,758
Self-pay	<u>963,430</u>
Total	1,596,410
Less: Contractual allowance and allowance for doubtful accounts	<u>(1,320,878)</u>
Net patient services receivable	<u>\$ 275,532</u>

NOTE 4 - CONTRACTS AND OTHER GRANTS RECEIVABLE

Contracts and other grants receivable consist of the following:

State of Florida Department of Health	
Department of Health Expansion Grant	\$ 1,277,921
Leon County Primary Care Grant	162,652
Apalachee Grant	<u>66,425</u>
Total	<u>\$ 1,506,998</u>

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 295,000	\$ -	\$ -	\$ 295,000
Building and Improvements	3,489,169	249,580	-	3,738,749
Furniture and Equipment	697,058	100,606	-	797,664
Mobile Van and Other Vehicles	342,473	-	-	342,473
Total fixed assets	<u>4,823,700</u>	<u>350,186</u>	<u>-</u>	<u>5,173,886</u>
Less: Accumulated Depreciation	<u>(759,863)</u>	<u>(242,827)</u>	<u>-</u>	<u>(1,002,690)</u>
Total fixed assets, net	<u>\$4,063,837</u>	<u>\$ 107,359</u>	<u>\$ -</u>	<u>\$4,171,196</u>

**BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 6 – LONG-TERM DEBT

Long-term debt consists of the following:

Mortgage payable - in the original amount of \$2,341,598 maturing on March 5, 2015. The mortgage is payable in monthly installments of \$14,888, including interest of 5.50%, with balloon payment at maturity date. The note is collateralized by real property located at 1720 South Gadsen Street, Tallahassee, Florida	\$2,187,253
Vehicle financing loan - in the original amount of \$32,390 maturing on September 22, 2015, payable in monthly installments of \$675 without interest, The loan is collateralized by the vehicle.	<u>18,220</u>
	2,205,473
Less: Current Portion	<u>(61,326)</u>
	<u>\$2,144,147</u>

Principal payment requirements on the above obligations in each of the years subsequent to June 30, 2013 are as follows:

Year Ending June 30,	Amount
2014	\$ 61,326
2015	2,142,123
2016	<u>2,024</u>
	<u>\$2,205,473</u>

NOTE 7 – DHHS GRANTS

<u>Grant Number</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>Revenue Recognized</u>
6H80CS00683-12-02	03/01/2013 - 02/28/2014	\$ 2,144,643	2,144,643
6H76HA00710-11-00	04/01/2012 - 03/31/2013	590,000	348,446
6H76HA00710-12-01	04/01/2013 - 03/31/2014	100,300	100,300
6H12HA24786-01-03	08/01/2012 - 07/31/2013	499,554	499,554
			<u>\$3,092,943</u>

**BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 8 – PATIENT SERVICES REVENUE, NET

For the year ended June 30, 2013, patient services revenue, net, consists of the following:

Medicare and Medicaid	\$ 1,554,197
Self pay and other third-party payers	<u>1,400,192</u>
Total	<u>\$ 2,954,389</u>

Medicaid and Medicare revenue is reimbursed to the Center at the net reimbursement rates as determined by each program. Reimbursement rates are subject to revisions under the provisions of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

NOTE 9 – CONTRACT SERVICES AND OTHER GRANTS

Contract services and other grants consist of the following:

State of Florida Department of Health:	
Agency for Healthcare Administration	\$ 146,418
Dental Grant	333,333
Leon County Department of Health:	
Department of Health Expansion Grant	731,076
ER Diversion Grant	729,000
Apalachee Grant	497,711
Leon County Primary Care Grant	729,000
	<u>\$ 3,166,538</u>

NOTE 10 – PENSION PLAN

The Center maintains a defined contribution retirement plan covering substantially all employees who meet certain eligibility requirements. Employees are eligible to participate after one year of employment. Retirement fund expense amounted to \$62,955 for the year ended June 30, 2013.

NOTE 11- COMMITMENTS AND CONTINGENCIES

The Center has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from federal and state governments. Reimbursements received under these contracts and payments from Medicaid and Medicare are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

**BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 11- COMMITMENTS AND CONTINGENCIES (Continued)

The Center maintains its medical malpractice coverage under the federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers. The Center believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

The Center is subject to several lawsuits which were filed by former employees for various reasons. Management do not expect these lawsuits to exceed the Center's insurance limits and therefore pose no significant liability to the Center.

NOTE 12- SUBSEQUENT EVENTS

The Center has evaluated subsequent events through October 16, 2013, which is the date the financial statements were available to be issued.

COMPLIANCE SECTION

**BOND COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Total Expenditures
U.S. Department of Health and Human Services:			
Direct programs:			
Consolidated Health Centers Cluster:			
Consolidated Health Centers Program	93.224	NA	\$2,144,643
Ryan White Part C Outpatient EIS Program	93.918	NA	448,746
Ryan White Title IV Women, Infants, Children, Youth and Affected Family Members AIDS Healthcare	93.153	NA	<u>499,554</u>
Total Cluster			<u>3,092,943</u>
Total Direct Programs			3,092,943
Passed through Florida Department of Health:			
Medical Assistance Program (Medicaid)	93.778	COTDS / COTCZ	<u>479,751</u>
Total U.S. Department of Health and Human Services			<u>3,572,694</u>
Total Federal Awards			<u>\$3,572,694</u>

See the notes to the schedule of expenditures of federal awards

**BOND COMMUNITY HEALTH CENTER, INC.
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 – GENERAL INFORMATION

The accompanying Schedule of Expenditures of Federal Awards presents the activities in all federal awards of Bond Community Health Center, Inc. (the "Center"). All financial assistance received directly from federal agencies as well as financial assistance passed through other governmental agencies or nonprofit organizations is included in the schedule.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. The amounts reported in the schedule as expenditures may differ from certain financial reports submitted to federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

NOTE 3 – RELATIONSHIP TO THE FINANCIAL STATEMENTS

federal expenditures are reported on the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of federal awards due to program expenditures exceeding grant or contract budget limitations or agency-matching or in-kind contributions which are not included in the statement of activities and changes in net assets.

NOTE 4 – SUBRECIPIENTS

Of the federal expenditures presented in this schedule, the Center provided no federal awards to subrecipients for the year ended June 30, 2013.

**BOND COMMUNITY HEALTH CENTER, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued	<u>Unqualified</u>		
Internal Control over financial reporting:			
• Material weakness(es) identified	<u> X </u>	Yes	<u> </u> No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u> No
Noncompliance which is material to the financial statements noted?	<u> </u>	Yes	<u> X </u> No

federal awards

Internal control over major programs:			
• Material weakness(es) identified?	<u> X </u>	Yes	<u> </u> No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u> No
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>		
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section.510 (a)	<u> X </u>	Yes	<u> </u> No

Federal awards programs:

Federal CFDA

US Department of Health and Human Services:			
Consolidated Health Center Cluster:			
Consolidated Health Centers Program		93.224	
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program		93.527	
Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000	
Auditee qualified as low risk auditee for federal awards program?	<u> </u>	Yes	<u> X </u> No

**BOND COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II - PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Matters that are repeated in the accompanying Schedule of Findings and Questioned Costs

2012-01 - Proper documentation relating to disbursements

Recommendation: The predecessor auditor recommended that the following procedures be implemented to strengthen internal control over disbursements.

1. All invoices when presented for approval for payment should contain the proper supporting documentation along with the appropriate signatures indicating they were reviewed.
2. All invoices, before payment is made, should contain the proper account allocation to be charged and respective subaccounts denoting what department/program the expenditures relate to.
3. A copy of the invoice package including the check request form should be retained for every disbursement and filed accordingly.
4. Revise the policies and procedures manual for disbursements and develop specific policies and procedures relating to the corporate card which addresses all of the above.

Status: Partially Implemented

2012-02 - Patient services receivable and revenue

Recommendation: The predecessor auditor recommended that the accounts receivable subsidiary ledger, per the billing and collection system, be reconciled to the general ledger control accounts on a regular basis. All discrepancies should be investigated and resolved on a timely basis. Further, they recommended that the Center review all old outstanding receivables for collectability and, for those no longer collectible, remove from the billing system. The Center should ensure that all receivables recorded in the billing system are valid and that appropriate reserves are made for uncollectible accounts.

Status: Not Implemented

2012-04 - Sliding fee discounts

Recommendation: The predecessor auditor recommended that the subsequent to year-end, additional training be conducted for employees at the Center. In addition, the sliding fee discounts will be monitored and reviewed by the supervisor on a more routine basis to ensure that the sliding fee is properly administered to eligible patients.

Status: Implemented after the year ended June 30, 2013

Matters that are not repeated

2012-03 - Board members compliance

Recommendation: The predecessor auditor recommended that the Center should monitor and ensure that the requirement of Board member composition is being met.

Status: Implemented

**BOND COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION III - FINANCIAL STATEMENT FINDINGS

CONTROL DEFICIENCIES

2013-01 - MATERIAL WEAKNESS - Patient services receivable and revenue (Repeat finding)

Condition

Accounts receivable subsidiary ledgers are not adequately maintained and reconciled.

Criteria

Accounts receivable subsidiary ledgers should be reconciled to the general ledger accounts on a regular basis and should ensure that collectability of receivables is maximized.

Cause

Personnel were not trained on the proper procedures for accounts receivable software newly implemented during the year. The new software programs; Centricity and Medical Manager were installed and operating in December 2012. Also, patient balances have been carried on this system without evidence of a proper review for potential collection alternatives.

Questioned Costs: - None

Effect

This deficiency could result in a loss of the Center's potential cash collections. Also, any financial reports that may be reviewed by management will not contain the proper balances from which they could make decisions affecting the financial well being of the Center.

Recommendation

We recommend that the Center adopt, train staff for and implement all the steps required for the accounts receivable software procedures. These steps should incorporate the notes and comments from staff for patient accounts to help in the determination of potential collection alternatives.

View of responsible officials and planned corrective actions

This issue was noted in March 2013 at the conclusion of the financial statement audit performed by the previous audit firm. Due to turnover in the senior leadership during the fiscal year, including board members, CEO and two different part-time outsourced CFOs, the corrective actions noted in the March 2013 audit were not implemented by June 30, 2013. The agency recognized the need to hire a full-time CFO and filled the vacancy in June 2013. The board is also involved in an executive search for a replacement Chief Executive Officer. In the interim, the current full-time CFO is also serving in an acting CEO capacity and has been tasked with resolving the deficiencies concerning patient billings.

**BOND COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION III - FINANCIAL STATEMENT FINDINGS (Continued)

CONTROL DEFICIENCIES (Continued)

2013-01 - MATERIAL WEAKNESS - Patient services receivable and revenue (Repeat finding) (Continued)

In December 2012, the Agency transitioned from the Medical Manager patient management system to Centricity. In addition, the financial accounting system was upgraded from QuickBooks to Intact in June 2013. Accounting and Billing department personnel are continuing to receive training on the full utilization of the system to include reporting and queries to monitor and manage patient balances.

Management reviewed the patient outstanding balances and year end adjustment was made to reconcile patient account balances tracked in both Medical Manager and Centricity systems to the general ledger. Beginning October 2013, patient balances will be reviewed monthly and reconciled to the general ledger to ensure timely monitoring of patient revenue and collections. In addition, management is performing a detailed analysis of visits, charges and collection rates by payer source (Medicaid, Medicare, Private Pay, Commercial Insurance, etc.) on a monthly basis.

2013-02 - SIGNIFICANT DEFICIENCY - Proper documentation relating to disbursements (Repeat finding)

Condition

Although the part of this prior year finding related to credit card use was resolved as of March of 2013, vendor invoices do not indicate the approval or monitoring process. The Center implemented a procedure that uses the printed check run as the approval and monitoring document.

Criteria

The invoices themselves should have proof of the monitoring and approval processes as documentation for the required monitoring procedures and segregation of duties as evidenced by a stamp or similar mechanism.

Cause

Personnel were trained to use the check run printout as indicated above instead of the actual invoices for the verification of approval from the department heads, date of receipt, date of ledger recording, and cancellation of invoices.

Questioned Costs: - None

Effect

Although no instances of misappropriation were found during our audit, this deficiency could result in misappropriation of the Center's funds or in the duplication of payments to vendors.

**BOND COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION III - FINANCIAL STATEMENT FINDINGS (Continued)

CONTROL DEFICIENCIES (Continued)

2013-02 - SIGNIFICANT DEFICIENCY - Proper documentation relating to disbursements (Repeat finding) (Continued)

Recommendation

We recommend that the Center adopt, train staff for and implement all the steps required for the recognition and verification of the approval, receipt, recording and cancellation procedures for invoices and credit card usage.

View of responsible officials and planned corrective actions

This issue was noted previously and has been since corrected with the implementation of an updated credit card policy. Since March 2013, credit card charges are approved with proper supporting documentation. All other disbursements were consistently reviewed and approved by the previous CEO as evidenced by date and signature on the check run report. Although all current disbursements are approved and reviewed by the CFO/Acting CEO prior to payment, in to further strengthen the controls surrounding disbursements, management will implement a "PAID" stamp to be used to document approval and review and to cancel invoices that have been paid. The stamp will note the date, department/program and approval supervisor approval.

2013-03 - SIGNIFICANT DEFICIENCY - Sliding fee discounts (Repeat finding)

Condition

There was incomplete evidence of the sliding fee discounts as applied to and / or documented in patient files for the fiscal year ended June 30, 2013. The Center did not have all the supporting documentation required for eligibility in the patient files. Our selections indicate that on average patient files are missing 20% of the required documents. We also determined that only 30% of patient files we selected were complete with all the required documents.

Criteria

Health centers are required to have a corresponding schedule of discounts applied and adjusted on the basis of the patients' ability to pay and their eligibility. A patient's eligibility to pay is determined on the basis of the official poverty guidelines, as revised by HHS (42 CFR Sections 51c.107(b)(5), 56.108(b)(5) and 56.303(f)). The Center should be implementing and monitoring procedures to properly determine, calculate, document and review sliding fee discounts given to patients in accordance with the Center's sliding fee scale.

Cause

Without the proper documentation in the patient files, the initial assessment as to the billing status and any related sliding fee discounts is assigned based on the missing documents.

**BOND COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION III - FINANCIAL STATEMENT FINDINGS (Continued)

CONTROL DEFICIENCIES (Continued)

**2013-03 - SIGNIFICANT DEFICIENCY - Sliding fee discounts (Repeat finding)
(Continued)**

Cause (Continued)

When documents are subsequently gathered from the patient, their assignment within the sliding fee discounts is not updated as needed.

Questioned Costs: - None

Effect

The Center did not comply with the determination of the sliding fee discounts based on the federal poverty guidelines in effect during the year ended June 30, 2013 nor did the Center comply with the related patient eligibility requirements. When documentation is updated in the patient files, there is no system by which the patient billing would be properly adjusted based on the updated information.

Recommendation

We recommend that proper training be given to all employees for both the accounts receivable software and for the patient management software to ensure that both groups of employees understand the importance of relating the documentation back and forth as it is gathered. Also, we recommend that there be a standard naming convention given to documents in the patient files to more properly label and characterize the updated information.

View of responsible officials and planned corrective actions

This issue was noted in March 2013 at the conclusion of the financial statement audit by the previous audit firm. Due to turnover in the senior leadership during the fiscal year, including board members, CEO and two different part-time outsourced CFOs, the corrective actions noted in the March 2013 audit were not implemented by June 30, 2013. The agency recognized the need to hire a full-time CFO and filled the vacancy in June 2013. The board is also involved in an executive search for a replacement Chief Executive Officer. In the interim, the current full-time CFO is also serving in an acting CEO capacity and has been tasked with resolving the documentation issues surrounding sliding fee discounts.

Management is aware that there are instances of the required documentation not being collected from some patients. Additional training is being provided to Intake, Eligibility and Billing department personnel to ensure there is an adequate understanding of compliance requirements to properly apply sliding fee discounts. In addition, the Agency began conducting monthly internal reviews and monitoring in August 2013 to ensure compliance with eh documentation requirements. Patients with incomplete documentation whose visits are incorrectly classified and billed are reassigned appropriately.

**BOND COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION IV - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

THESE FINDINGS ARE ALSO NOTED ABOVE AS CONTROL DEFICIENCIES

2013-01 - MATERIAL FINDING - Patient services receivable and revenue (Repeat finding)

2013-03 - SIGNIFICANT FINDING - Sliding fee discounts (Repeat finding)

SECTION V – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

THESE FINDINGS ARE ALSO NOTED ABOVE AS CONTROL DEFICIENCIES

2013-01 - MATERIAL FINDING - Patient services receivable and revenue (Repeat finding)

2013-03 - SIGNIFICANT FINDING - Sliding fee discounts (Repeat finding)

HARVEY, COVINGTON & THOMAS, LLC

Certified Public Accountants & Consultants

**INDEPENDENT AUDITOR'S 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
Bond Community Health Center, Inc.
Tallahassee, Florida

We have audited, in accordance with accounting standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bond Community Health Center, Inc. (the Center), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider one of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness, # 2013-01.

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 charges with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency, # 2013-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-01 and 2013-03.

Center's Response to Findings

The Center's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center'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.



Hollywood, Florida
October 16, 2013

HARVEY, COVINGTON & THOMAS, LLC

Certified Public Accountants & Consultants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Bond Community Health Center, Inc.
Tallahassee, Florida

Report on Compliance for Each Major Federal Program

We have audited Bond Community Health Center, Inc., (a nonprofit organization) (the Center) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2013. The Center'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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Center'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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 The Center'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 The Center's compliance.

**Basis for Qualified Opinion on US Department of Health and Human Services,
Consolidated Health Center Cluster**

As described in the accompanying schedule of findings and questioned costs, The Center did not comply with requirements regarding CFDA 93.224 and 93.527, Consolidated Health Center Cluster as described in finding numbers 2013-01 for reporting and 2013-03 for eligibility. Compliance with such requirements is necessary, in our opinion, for The Center to comply with the requirements applicable to that program.

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(954) 966-4435 Phone

Qualified Opinion on US Department of Health and Human Services, Consolidated Health Center Cluster

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, The Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the US Department of Health and Human Services, Consolidated Health Center Cluster for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, The Center 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 other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-02. Our opinion on each major federal program is not modified with respect to these matters.

The Center’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center’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 The Center 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 The Center’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 OMB Circular A-133, 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 The Center’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-01 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-03 to be a significant deficiency.

The Center's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Hollywood, Florida
October 16, 2013



**Leon County Office of Human Services and Community Partnerships
Primary Healthcare Program**

SUBMISSION DEADLINE: Wednesday, April 30, 2014

**Please read each question carefully and be thorough in your responses.
The following attachments must accompany the application:**

- 1. Agency's Articles of Incorporation**
- 2. Agency's most recent tax return**
- 3. Agency's most recent financial report or audit, including the audit management letter**

A. Organizational Information

Legal Name of Agency: Neighborhood Medical Center, Inc.

Agency Representative: Oretha W. Jones, MSN, ARNP

Physical Address: 438 W. Brevard St, Tallahassee, FL 32301

Mailing Address: 438 W. Brevard St, Tallahassee, FL 32301

Telephone: (850) 224-2469

Fax: (850) 224-1139

E-mail Address: www.neighborhoodmedicalcenter.org

Agency Employer ID Number (FEIN): 23-7422549

Does the Agency have a **501(c)(3)** status? Yes: X No:

Date of Agency Incorporation: June 1974

RECEIVED

APR 30 2014

B. Program Information

1. Succinctly describe the program for which funding is being requested. Please include types of services provided. (Attach additional pages as necessary)

Neighborhood Medical Center (NMC) provides primary, mental, specialty health care, and chronic disease management services to the uninsured, underinsured, homeless or qualifying insured low-income residents of Leon and the Big Bend counties. NMC partnered with several local community agencies to develop a treatment model called Integrated Health Delivery System. This model provides preventive, primary, mental and chronic disease management across a continuum for the agency's patients which, in turn, provides better health outcomes. Additionally, this model provides screenings and chronic disease management, two of the primary medical needs of the uninsured, underinsured and/or homeless populations that were discussed during the recent Day of Dialogue. Once a patient is diagnosed with a specific disease state, the Integrated Health Delivery System's goal is to prevent the disease from progressing from the stage in which it is found to a higher stage with increased complications. This proactive program also prevents non-emergency visits to the hospital emergency room, which, consequently establishes a cost-savings mechanism for all Leon County residents.

The preventive portion of the Integrated Health Delivery System includes the following:

- Dental services
- Vision services
- Mammogram
- Colonoscopy
- Cervical cancer screening
- Prostate cancer screening
- Pre-conception education
- Prenatal education and care

Primary healthcare services are provided via appointment or by walk-in. The primary health portion of the Integrated health Delivery System includes the following:

- Complete physical examination
- Health maintenance examination
- Management of chronic diseases (diabetes, hypertension, heart disease, HIV/AIDS, cholesterol and obesity)
- Immunizations (DT, influenza, pneumovac)
- Treatment and referral for additional treatment of transmittable diseases

The chronic disease management portion of the Integrated Health Delivery System model will be the only one of its kind in the area that specifically targets uninsured, underinsured and homeless citizens of the county. It will function as a holistic center that provides all of the components of care for patients diagnosed with chronic diseases. For instance, patients diagnosed with diabetes will receive foot care, eye care, medication management, disease management and education under one roof. The concept for this design is to ensure that no aspect of patient care for a chronic disease will ever be unaddressed at Neighborhood Medical Center. Services/specialties included in this program include:

- Endocrinology – treatment for diabetes and thyroid condition

- Gastroenterology – colonoscopy and endoscopy examinations
- Infectious disease – treatment related to HIV/AIDS
- Podiatry – care for the feet of those patients diagnosed with diabetes
- Optometry – eye exams and glasses
- Medication management – pharmacologic intervention and maintenance for chronic disease processes
- Non—invasive cardiovascular - stress tests and EKGs
- Dental – extractions, fillings, cleaning, and sealants
- Gynecology – cancer management
- Orthopedics - bone care

Education and Outreach includes:

- Diabetes management classes
- Smoking cessation assistance
- Case Management and referral services to other ancillary services
- Coordination of the We Care Program, and referrals to specialty clinics
- Agency sponsored outreach efforts

Mental health services include:

- Mental Health evaluations
- Medication management for mental health/substance abuse disorders
- Individual, family and group psychotherapy such as, supportive therapy, cognitive behavioral therapy
- One-on-one education regarding mental health, and medical issues
- Community outreach services regarding medical issues and mental health
- Referrals to and from the NMC primary care clinic
- Coordination of services provided by specially trained professional volunteers, such as physicians, psychologist, dieticians, and attorneys
- Substance abuse counseling

The Education Initiative includes:

- Patient education through the chronic disease and wellness clinics offered at NMC
- Providing pharmacy students from the FAMU COPPS and medical students from the FSU College of Medicine with clinical educational experiences involving underserved patients and their care
- Providing a platform for clinical research projects for pre-medical and medical students aimed at improving the care of NMC patients.
- Providing and updating, as necessary, medical educational resources for the providers at NMC
- Providing interdisciplinary educational experiences for students from the FAMU College of Pharmacy, FSU College of Medicine, and the local schools of nursing and mental health.
- Providing a format by which pre-medical students can shadow providers at NMC to benefit both the student and the clinic
- Provide the staff of NMC with a means of continuing education to be evaluated and maintained in personnel records

The Infant Mortality Program Includes:

- NMC partnership with the Capital Area Healthy Start Coalition to assist with analysis of data related to infant mortality

The Women and Children’s Program includes:

- Provision of prenatal care to low income mothers through partnership with TMH Family Medicine Residency program.
- Provision of obstetrical services through NMC staff that includes an obstetrician and a nurse-Midwife
- Specific tests that include colposcopy, LEEP procedure, and nutritional education

The HIV-AIDS Program includes:

- Testing for HIV
- Community wide HIV/AIDS education and awareness
- Treatment for persons diagnosed with HIV or AIDS

The Pediatric Program includes:

- Treatment of pediatric patients through collaboration with TMH’s Family Medicine Residency Program.

In addition to fully implementing all of its previously established clinics, a transition team including Neighborhood Medical Center and other agencies partnered to assist NMC with creating the model that will facilitate implementation of the Integrated Health Delivery System. Those partners include:

Tallahassee Memorial HealthCare	Will provide radiologist and cardiologist for the program
TMH Transition Center	Will provide access to telehealth services
Apalachee Center	Will serve as a direct referral provider for mental health case management and psychiatric ARNP
FAMU Center for Health Equity	Will provide PharmD to assist with medication management and health education
Capital Medical Society (We Care)	Will serve as direct referral base to decrease waiting list for patients who require specialty services
Big Bend Cares	Will provide additional services for HIV/AIDS patients
Bond Community Health Center	Will provide chiropractic, ophthalmology and podiatry services by referrals from NMC
Florida Blue	Will provide outreach and patient education about the Affordable Care Act and other healthcare services. Will also offer wellness services for NMC patients
FSU College of Medicine	Will provide doctors for NMC Evening Clinic and Havana Satellite Site
Gadsden County Health Department	Will provide WIC and Nutritional education

	services to NMC patients
United Way	Will provide a clinical space to provide primary care, specialty care and mental health services to the homeless population in the Westgate Community
Leon County Schools	Will provide opportunities for health fairs, outreach and education to the students and families of Leon Count Schools
Leon County Board of County Commissioners	Will provide continued insight into the community's needs and also provide technical assistance to NMC through the transition period

2. Why is this funding being requested? If this funding request is not approved, what would be the impact on your agency or program for which funding is sought?

Even though NMC was recently awarded funding as a federally qualified health center (FQHC), the amount of funding awarded does not adequately cover all of the components necessary for the agency's planned expansion to provide more comprehensive services to more citizens of Leon County. A large portion of the funds awarded will be used to establish programs that have been mandated by the grant. Therefore, NMC has no option but to expend those funds in the manner directed.

The breakdown of the current funding request along with the requested increased funding follows:

CURRENT FUNDING USE

PROGRAM NAME	COSTS	USED FOR	ITEMIZED COSTS
Primary health	\$416,740.00	Encounter reimbursement	\$125/encounter
Mental health	\$50,000.00	Encounter reimbursement	\$80/encounter

REQUESTED INCREASED FUNDING USE

PROGRAM NAME	COSTS	USED FOR	ITEMIZED COSTS
Mental Health	\$50,000.00	Funding for 625 additional encounters	\$80/encounter
Dental Health	\$150,000.00	Salary for a dentist	Not able to itemize
Women & Children Program	\$160,000.00	Salary for an pediatrician	Not able to itemize

The total amount of funding requested is **\$826,740.00**

LIP Funding

NMC understands that historically the LCBCC has provided IGT's on behalf of the AHCA LIP Grant. NMC is requesting that, of any county funding awarded should there be any LIP Awards or grants available, NMC would have the opportunity to provide a letter of request asking the Board to consider supporting NMC in the process. NMC is aware of the \$11 million pot of funding for FQHC's. NMC

would also ask that we be considered for any other additional LIP Grant opportunities that would leverage county dollars.

Sustainability:

Neighborhood Medical Center was recently awarded designation as a federally qualified health center and, as such, now has the opportunity to apply for federal grants as they become available. These grants will strengthen NMC's financial stability and also provide it with some of the funding necessary for continued sustainability.

Plans for sustainability include the following:

- Application for additional federal grants
- Application to more insurance companies to become a provider agency, thereby increasing The agency's revenue stream
- Aggressively seeking more grant funds
- Increased capacity to treat more patients

3. Projected program impact/outcome results: What is the projected impact on the target population?

The numbers listed below are projections for the first 3 years of the project. Actual figures could very possibly be much higher at the end of the 3-year period.

	Year 1	Year 2	Year 3
	Visits	Visits	Visits
BILLABLE VISITS			
Medicaid	19,210	20,171	21,179
Medicare	9,249	9,711	10,197
Private	1,399	1,472	1,546
Self pay	25,554	26,832	28,173
Other	3,878	4,072	4,275
SUBTOTAL	59,290	62,258	65,370
Enabling Services	5,821	6,112	6,418
TOTAL	65,111	68,370	71,788

4. List the targeted population projected to be served or benefit from this program.

The target population that NMC serves is the low-income, uninsured, qualifying insured or homeless residents of the Leon County and Big Bend Areas.

5. Provide the methods that are being used effectively to attain this program's targeted population.

Having an understanding that not everyone can be reached by using the same outreach technique, NMC employs several methods to reach its targeted population. The agency's website is updated regularly to provide current agency-related information; public announcement spots on local television

and radio stations as well as occasional live interviews by agency management keep the public abreast of the agency's current events.

NMC also hosts outreach events at various locations in the Leon County community where health screenings and health education are provided. These events are designed to attract the person who does not have a medical home, providing them with information regarding the agency so that an informed decision can be made. Staff members also actively participate in the events of our community partners. However, the advertisement that we most ardently strive to produce daily is word-of-mouth recommendations from clients who are satisfied with the services received at Neighborhood Medical Center.

6. Outline the phases and time frames in which this program or event will be accomplished if funded.

Many of the programs for which we are seeking funding are currently active at NMC, therefore, they will continue to operate as they are. However, the new collaborative that is the Chronic Disease Management Center will require time frames as follows:

PROGRAM TIMELINES	
Advertise positions and hiring of staff	Positions are currently being advertised. Interviews are being conducted.
Patient referral and orientation into program. Baselines established	This portion should be completed between July 1 and October 1
Programs fully functional	October 1
Program evaluations	Evaluations will be conducted quarterly

7. List the program's short-term, intermediate, and long-term goals.

Short-term Goals:

1. Goal: Become an accredited diabetes education center.
2. Goal: Expand primary care services by August 1 (120 days)
3. Goal: Continue to seek new site to accommodate agency growth and needs.

Intermediate Goals:

1. Goal: Begin to treat patients using the Integrated Health Delivery System model.

Long-term Goals:

1. Goal: Ongoing search for partnerships and alliances to assist NMC with providing the most comprehensive, patient centered array of services possible to our patients
2. Goal: Explore fundraising and resource development opportunities

8. What other agencies in Leon County (governmental, non-profit, and private) provide services similar to those which would be provided by this funding?

Bond Community Health Center and The Apalachee Center, along with several doctors in private practice, provide services similar to those we provide. However, the primary difference is that NMC is willing to treat patients who cannot pay for services, whether uninsured or not, as long as they provide documentation of their financial status and residency.

9. Please provide a narrative as to how you coordinate with community agencies, including CareNet partners. List any Agency partnerships and collaboration related to this program.

Agency	Partnership/Collaboration
Tallahassee Memorial Hospital	Will provide radiologist and cardiologist for the CDMC
TMH Transition Center	Will provide access to telehealth services
Apalachee Center	Will serve as a direct referral provider for mental health case management and psychiatric ARNP
FAMU Office of Health Equity	Will provide PharmD to assist with medication management and health education
Capital Medical Society (We Care)	Will serve as direct referral base to decrease waiting list for patients who require specialty services
Florida/Caribbean AETC	Will provide telehealth services for HIV/AIDS patients
Big Bend Cares	Will serve as a resource for HIV/AIDS case management for NMC's patients
Bond Community Health Center	Will provide services for podiatry, ophthalmology and chiropractic services to NMC's patients
FAMU College of Pharmacy	Manages the on-site pharmacy, provides diabetes management and education and also provides interns
Department of Health Office of Minority Health	Provides breast and cervical cancer screenings for female patients who are over age 50
Leon County Health Department	Provides family planning services for NMC patients
Tallahassee Housing Authority	This agreement allows NMC to provide screenings and health education to certain housing authority residents
FSU College of Law	This collaboration provides legal services for patients in the areas of immigration and disability benefits
Tech Care X-Ray	Through this collaboration, patients receive on-site radiologic services
Primary Care of Southwest Georgia (PCSG)	This partnership provides a referral based relationship so that NMC's patients can receive services at PCSG that are not available at NMC and PCSG's patients can receive services not available there at NMC, if available
Gadsden County Health Dept – Havana Dental Clinic	Through this agreement NMC's adult patients are provided dental care
FSU College of Nursing	Through this agreement student and faculty members provide services to NMC patients at the Havana site

C. Funding Information: PRIMARY CARE

10. Agency's current total budget: 2013/14 \$ 1,429,021 (current) 2014/15 \$ 5,117,748 (proposed)

11. Total cost of program: \$5,117,748

Please use your response to Question 11 to answer Questions 12-13.

12. Please list the 2013/14 funding amount and associated expenditures requested from Leon County and Other Revenue Sources:

Actual Expenditure Detail	Leon County Funded	Other Revenue Sources	Total
Compensation and Benefits	416,740	519,918	936,658
Professional Fees	0	116,220	116,220
Occupancy/Utilities/Network	0	141,470	141,470
Supplies/Postage	0	53,900	53,900
Equipment Rental, Maintenance, Purchase	0	74,256	74,256
Meeting Costs/Travel/Transportation	0	8,000	8,000
Staff/Board Development/Recruitment	0	30,500	30,500
Awards/Grants/Direct Aid	0	54,364	54,364
Bad Debts/Uncollectible	0	0	0
Bonding/Liability/Directors Insurance	0	13,653	13,653
Other Expenses (please itemize)	0	0	0
Total	416,740	1,012,281	1,429,021

13. Please list the following Revenue Sources for the current year and the upcoming year below:
Please note LIPP fund amount not yet included in funding request.

Revenue Sources	2013/14 (Current)	2014/15 (Proposed)
CHSP	145,000	168,000
Leon County (not CHSP)	670,713(Incl. LIPP Funds)	416,740
City of Tallahassee (not CHSP)		0
United Way (not CHSP)	9,905	1405
State	150,000	0
Federal	0	1,271,969
Grants	343,403	2,500
Contributions/Special Events	60,000	31,500
Dues/Memberships	0	0
Program Service Fees	50,000	3,225,634
Utilized Reserves	0	0
Other Income (please itemize)	0	0
Total	1,429,021	5,117,748

14. Please list the following expenses for the current year and the upcoming year below:

Expenses	2013/14 (Current)	2014/15 (Proposed)
Compensation and Benefits	936,658	4,143,590
Professional Fees	116,220	100,000
Occupancy/Utilities/Network	141,470	211,372
Supplies/Postage	53,900	465,304
Equipment Rental, Maintenance, Purchase	74,256	74,256
Meeting Costs/Travel/Transportation	8,000	18,000
Staff/Board Development/Recruitment	30,500	28,000
Awards/Grants/Direct Aid	54,364	50,000
Bad Debts/Uncollectible	0	0
Bonding/Liability/Directors Insurance	13,653	27,226
Other Expenses (please itemize)	0	0

Total	1,429,021	5,117,748
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C. Funding Information: MENTAL HEALTH

- Agency's current total budget: 2013/14 \$ 207,556 (current) 2014/15 \$ 503,764 (proposed)
- Total cost of program: \$503,764

Please use your response to Question 11 to answer Questions 12-13.

- Please list the 2013/14 funding amount and associated expenditures requested from Leon County and Other Revenue Sources:

Actual Expenditure Detail	Leon County Funded	Other Revenue Sources	Total
Compensation and Benefits	50,000	101,956	151,956
Professional Fees	0	20,280	20,280
Occupancy/Utilities/Network	0	2,640	2,640
Supplies/Postage	0	0	0
Equipment Rental, Maintenance, Purchase	0	0	0
Meeting Costs/Travel/Transportation	0	0	0
Staff/Board Development/Recruitment	0	7,500	7,500
Awards/Grants/Direct Aid	0	25,180	25,180
Bad Debts/Uncollectible	0	0	0
Bonding/Liability/Directors Insurance	0	0	0
Other Expenses (please itemize)	0	0	0
Total	50,000	157,556	207,556

- Please list the following Revenue Sources for the current year and the upcoming year below:

Revenue Sources	2013/14 (Current)	2014/15 (Proposed)
CHSP		
Leon County (not CHSP)	50,000	100,000
City of Tallahassee (not CHSP)	0	0
United Way (not CHSP)	0	0
State	0	0
Federal	0	390,000
Grants	148,356	0
Contributions/Special Events	6,500	7,500
Dues/Memberships	0	0
Program Service Fees	2,700	6,264
Utilized Reserves	0	0
Other Income (please itemize)	0	0
Total	207,556	503,764

- Please list the following expenses for the current year and the upcoming year below:

Expenses	2013/14 (Current)	2014/15 (Proposed)
Compensation and Benefits	151,956	433,059
Professional Fees	20,280	0
Occupancy/Utilities/Network	2,640	6,125
Supplies/Postage	27,500	48,400
Equipment Rental, Maintenance, Purchase	0	0
Meeting Costs/Travel/Transportation	0	5,000
Staff/Board Development/Recruitment	0	6,000
Awards/Grants/Direct Aid	5,180	5,180
Bad Debts/Uncollectible	0	0
Bonding/Liability/Directors Insurance	0	0
Other Expenses (please itemize)	0	0
Total	207,556	503,764

C. Funding Information: DENTAL HEALTH

- Agency's current total budget: 2013/14 \$ 0 (current) 2014/15 \$ 553,896 (proposed)
- Total cost of program: \$553,896

Please use your response to Question 11 to answer Questions 12-13.

- Please list the 2013/14 funding amount and associated expenditures requested from Leon County and Other Revenue Sources:

Actual Expenditure Detail	Leon County Funded	Other Revenue Sources	Total
Compensation and Benefits	0	0	0
Professional Fees	0	0	0
Occupancy/Utilities/Network	0	0	0
Supplies/Postage	0	0	0
Equipment Rental, Maintenance, Purchase	0	0	0
Meeting Costs/Travel/Transportation	0	0	0
Staff/Board Development/Recruitment	0	0	0
Awards/Grants/Direct Aid	0	0	0
Bad Debts/Uncollectible	0	0	0
Bonding/Liability/Directors Insurance	0	0	0
Other Expenses (please itemize)	0	0	0
Total	0	0	0

- Please list the following Revenue Sources for the current year and the upcoming year below:

Revenue Sources	2013/14 (Current)	2014/15 (Proposed)
CHSP	0	0
Leon County (not CHSP)	0	150,000
City of Tallahassee (not CHSP)	0	0
United Way (not CHSP)	0	0
State	0	0
Federal	0	387,000

Grants	0	0
Contributions/Special Events	0	7,500
Dues/Memberships	0	0
Program Service Fees	0	9,396
Utilized Reserves	0	0
Other Income (please itemize)	0	0
Total	0	553,896

5. Please list the following expenses for the current year and the upcoming year below:

Expenses	2013/14 (Current)	2014/15 (Proposed)
Compensation and Benefits	0	537,000
Professional Fees	0	0
Occupancy/Utilities/Network	0	3,600
Supplies/Postage	0	13,296
Equipment Rental, Maintenance, Purchase	0	0
Meeting Costs/Travel/Transportation	0	0
Staff/Board Development/Recruitment	0	0
Awards/Grants/Direct Aid	0	0
Bad Debts/Uncollectible	0	0
Bonding/Liability/Directors Insurance	0	0
Other Expenses (please itemize)	0	0
Total	0	553,896

C. Funding Information: WOMEN AND CHILDREN

- Agency's current total budget: 2013/14 \$ 0 (current) 2014/15 \$ 263,522 (proposed)
- Total cost of program: \$263,522

Please use your response to Question 11 to answer Questions 12-13.

- Please list the 2013/14 funding amount and associated expenditures requested from Leon County and Other Revenue Sources:

Actual Expenditure Detail	Leon County Funded	Other Revenue Sources	Total
Compensation and Benefits	0	0	0
Professional Fees	0	0	0
Occupancy/Utilities/Network	0	0	0
Supplies/Postage	0	0	0
Equipment Rental, Maintenance, Purchase	0	0	0
Meeting Costs/Travel/Transportation	0	0	0
Staff/Board Development/Recruitment	0	0	0
Awards/Grants/Direct Aid	0	0	0
Bad Debts/Uncollectible	0	0	0
Bonding/Liability/Directors Insurance	0	0	0
Other Expenses (please itemize)	0	0	0

Total	0	0	0
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4. Please list the following Revenue Sources for the current year and the upcoming year below:

Revenue Sources	2013/14 (Current)	2014/15 (Proposed)
CHSP	0	0
Leon County (not CHSP)	0	160,000
City of Tallahassee (not CHSP)	0	0
United Way (not CHSP)	0	0
State	0	0
Federal	0	85,000
Grants	0	0
Contributions/Special Events	0	8,500
Dues/Memberships	0	0
Program Service Fees	0	10,022
Utilized Reserves	0	0
Other Income (please itemize)	0	0
Total	0	263,522

5. Please list the following expenses for the current year and the upcoming year below:

Expenses	2013/14 (Current)	2014/15 (Proposed)
Compensation and Benefits	0	245,000
Professional Fees	0	0
Occupancy/Utilities/Network	0	3,600
Supplies/Postage	0	14,922
Equipment Rental, Maintenance, Purchase	0	0
Meeting Costs/Travel/Transportation	0	0
Staff/Board Development/Recruitment	0	0
Awards/Grants/Direct Aid	0	0
Bad Debts/Uncollectible	0	0
Bonding/Liability/Directors Insurance	0	0
Other Expenses (please itemize)	0	0
Total	0	263,522

C. Funding Information: ALL PROGRAMS COMBINED

1. Agency's current total budget: 2013/14 \$ 1,636,577 (current) 2014/15
\$ 6,438,930 (proposed)

2. Total cost of program:
\$6,438,930

Please use your response to Question 11 to answer Questions 12-13.

3. Please list the 2013/14 funding amount and associated expenditures requested from Leon County and Other Revenue Sources:

Actual Expenditure Detail	Leon County Funded	Other Revenue Sources	Total
Compensation and Benefits	466,740	621,874	1,088,614
Professional Fees	0	136,500	136,500

Occupancy/Utilities/Network	0	144,110	144,110
Supplies/Postage	0	53,900	53,900
Equipment Rental, Maintenance, Purchase	0	74,256	74,256
Meeting Costs/Travel/Transportation	0	8,000	8,000
Staff/Board Development/Recruitment	0	38,000	38,000
Awards/Grants/Direct Aid	0	79,544	79,544
Bad Debts/Uncollectible	0	0	0
Bonding/Liability/Directors Insurance	0	13,653	13,653
Other Expenses (please itemize)	0	0	0
Total	466,740	1,169,837	1,636,577

4. Please list the following Revenue Sources for the current year and the upcoming year below:

Revenue Sources	2013/14 (Current)	2014/15 (Proposed)
CHSP	145,000	168,000
Leon County (not CHSP)	720,713	826,740
City of Tallahassee (not CHSP)		0
United Way (not CHSP)	9,905	1,405
State	150,000	0
Federal	0	2,133,969
Grants	491,759	2,500
Contributions/Special Events	66,500	55,000
Dues/Memberships	0	0
Program Service Fees	52,700	3,251,316
Utilized Reserves	0	0
Other Income (please itemize)	0	0
Total	1,636,577	6,438,930

5. Please list the following expenses for the current year and the upcoming year below:

Expenses	2013/14 (Current)	2014/15 (Proposed)
Compensation and Benefits	1,088,614	5,358,649
Professional Fees	136,500	100,000
Occupancy/Utilities/Network	144,110	224,697
Supplies/Postage	53,900	541,922
Equipment Rental, Maintenance, Purchase	74,256	74,256
Meeting Costs/Travel/Transportation	8,000	23,000
Staff/Board Development/Recruitment	38,000	34,000
Awards/Grants/Direct Aid	79,544	55,180
Bad Debts/Uncollectible	0	0
Bonding/Liability/Directors Insurance	13,653	27,226
Other Expenses (please itemize)	0	0
Total	1,636,577	6,438,930

15. Describe actions to secure additional funding. Please be specific.

Neighborhood Medical Center will apply for additional grants from HRSA as they become available. NMC will also host a fundraiser in October 2014: Jazzing Up the Neighborhood. In addition, NMC will also increase the number of patients associated with insurance plans, such as Capital Health Plan, Florida Blue, Prestige Health Choice and WellCare, to generate revenue. We will also institute the 340B Drug Pricing Program.

16. Will this program or event recur every year?

No: _____ Yes: X

17. Would funding by Leon County be requested in subsequent years for successful completion of the program?

No: _____ Yes: X

If "yes," estimate, the amount of next year's funding request: \$826,740.00

18. Has Leon County contributed funds to this program in the past 5 years?

No: _____ Yes: X

If "yes," list date(s), recipient or agency, program title and amount of funding:

<u>Date</u>	<u>Recipient or Agency</u>	<u>Program Title</u>	<u>Funding Amount</u>
<u>2013/2014</u>	<u>NMC</u>	Primary and Mental Health	<u>\$466,740.00</u> <u>PH: \$416,740 MH:</u> <u>\$50,000</u>
<u>2012/2013</u>	<u>NMC</u>	Primary and Mental Health	<u>\$466,740.00</u> <u>PH: \$416,740 MH:</u> <u>\$50,000</u>
<u>2011/2012</u>	<u>NMC</u>	Primary and Mental Health	<u>\$466,740.00</u> <u>PH: \$416,740 MH:</u> <u>\$50,000</u>
<u>2010/2011</u>	<u>NMC</u>	Primary and Mental Health	<u>\$466,740.00</u> <u>PH: \$416,740 MH:</u> <u>\$50,000</u>
<u>2009/2010</u>	<u>NMC</u>	Primary and Mental Health	<u>\$466,740.00</u> <u>PH: \$416,740 MH:</u> <u>\$50,000</u>

CERTIFICATION

I, the undersigned representative of the Agency, organization or individual making this request, certify that to the best of my knowledge all statements contained in this request and its attachments are true and correct.

Print Name: Oretha Jones

Signature: 

Date Signed: 04/30/2014



August 12, 2013

To the Board of Directors
Neighborhood Medical Center, Inc.
483 West Brevard Street Tallahassee, Florida 32303

We have audited the financial statements of Neighborhood Medical Center, Inc. for the year ended September 30, 2012, and have issued our report thereon dated August 12, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 21, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Neighborhood Medical Center, Inc. are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense is based on the underlying assets depreciation calculated using the straight line method over the assets' useful lives. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

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Corrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 12, 2013.

Management Consultations with Other Independent Accountants

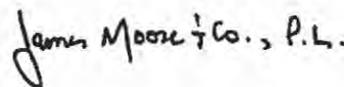
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of Neighborhood Medical Center, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



JAMES MOORE & CO., P.L.

NEIGHBORHOOD MEDICAL CENTER, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**NEIGHBORHOOD MEDICAL CENTER,
INC. TABLE OF CONTENTS
SEPTEMBER 30, 2012**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Neighborhood Medical Center, Inc.:

We have audited the accompanying statement of financial position of Neighborhood Medical Center, Inc. as of September 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Neighborhood Medical Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Medical Center, Inc. as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2013, on our consideration of Neighborhood Medical 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

James Moore & Co., P.L.C.

Tallahassee, Florida
August 12, 2013

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Member of AGN International with offices in principal cities worldwide

**NEIGHBORHOOD MEDICAL CENTER, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012**

ASSETS

Current assets		
Cash and cash equivalents		\$ 123,776
Grant and contract receivables		305,715
Unconditional promises to give		138,649
Prepaid expenses		5,709
Total current assets		573,849
Furniture and equipment, net of accumulated depreciation of \$56,738		135,587
Total Assets		\$ 709,436

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses		\$ 55,803
Due to grantor		3,500
Current portion of capital lease payable		19,597
Total current liabilities		78,900
Long-term liabilities		
Capital lease payable, less current portion		64,338
Net assets		
Temporarily restricted		138,649
Unrestricted		
Operations		375,897
Furniture and equipment		51,652
Total unrestricted		427,549
Total net assets		566,198
Total Liabilities and Net Assets		\$ 709,436

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

**NEIGHBORHOOD MEDICAL CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Charges for services	21,338	\$	\$ 21,338
Grants and contracts	925,830		925,830
Contributions	404,787	138,649	543,436
In-kind	796,794		796,794
Net assets released from restrictions	133,500	(133,500)	
Total support and revenues	<u>2,282,249</u>	<u>5,149</u>	<u>2,287,398</u>
Expenses			
Program services	1,992,669		1,992,669
Administrative services	214,268		214,268
Fundraising	40,283		40,283
Total expenses	<u>2,247,220</u>		<u>2,247,220</u>
Increase in net assets	<u>35,029</u>	<u>5,149</u>	<u>40,178</u>
Net assets, beginning of year, as previously reported	371,187	163,500	534,687
Prior period adjustment (See Note 10)	21,333	(30,000)	(8,667)
Net assets, beginning of year, as restated	<u>392,520</u>	<u>133,500</u>	<u>526,020</u>
Net assets, end of year	<u>\$ 427,549</u>	<u>\$ 138,649</u>	<u>\$ 566,198</u>

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

NEIGHBORHOOD MEDICAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Program Services	Administrative Services	Fundraising	Total
Personnel	\$ 783,242	\$ 145,871	\$	929,113
Travel	10,346	1,927		12,273
Communication and utilities	10,666	1,986		12,652
Printing and supplies	22,801	4,247		27,048
Medication and pharmaceuticals	45,377			45,377
Repairs and maintenance	19,515	3,634		23,149
Professional fees	150,768	28,079		178,847
Advertising	60,342	11,238		71,580
Rent	27,541	5,129		32,670
Insurance	8,356	1,556		9,912
Depreciation	33,598	6,257	-	39,855
Fundraising	-	-	40,283	40,283
Other	23,323	4,344	-	27,667
In-kind	796,794	-		796,794
Total expenses	\$ 1,992,669	\$ 214,268	\$ 40,283	2,247,220

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

NEIGHBORHOOD MEDICAL CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities	
Cash received from grantors and others	\$ 1,339,078
Cash paid to employees and vendors	(1,444,260)
Interest paid	(5,642)
Net cash used in operating activities	<u>(110,824)</u>
Cash flows from investing activities	
Purchases of equipment	(11,406)
Cash flows from financing activities	
Payments on capital lease payable	(18,459)
Net decrease in cash and cash equivalents	<u>(140,689)</u>
Cash and cash equivalents, beginning of year	264,465
Cash and cash equivalents, end of year	<u><u>\$ 123,776</u></u>
Reconciliation of increase in net assets to net cash used in operating activities	
Increase in net assets	<u>\$ 40,178</u>
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	39,855
Increase in prepaid expenses	(1,016)
Increase in grant and contract receivables	(201,210)
Decrease in unconditional promises to give	46,184
Increase in due to grantor	3,500
Decrease in accounts payable and accrued expenses	(38,315)
Total adjustments	<u>(151,002)</u>
Net cash used in operating activities	<u><u>(110,824)</u></u>

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

NEIGHBORHOOD MEDICAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(1) Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies and practices of Neighborhood Medical Center, Inc. which affect significant elements of the accompanying financial statements:

(a) **General**—Neighborhood Medical Center, Inc. (the "Organization"), a nonprofit organization, provides health care services to uninsured low-income and no-income individuals through a reduced fee medical clinic offering primary care, dental, eye care, mental health, and hypertension programs. The Organization also offers health education, and medical social services. In addition, on September 26, 2012, the Organization changed its name from Neighborhood Health Services, Inc. to Neighborhood Medical Center, Inc.

(b) **Furniture and Equipment**—Furniture and equipment with a value greater than \$500 and an estimated useful life of at least one year are recorded at cost when purchased or at fair market value when contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to seven years.

(c) **Income Taxes**—The Organization is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization files income tax returns in the U.S. Federal jurisdiction. The Organization's income tax 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.

(d) **Cash and Cash Equivalents**—For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts in demand deposits held with banks, and short-term investments with an original maturity of ninety days or less.

(e) **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) **Basis of Accounting**—The financial statements of Neighborhood Medical Center, Inc. have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

(g) **Basis of Presentation**—The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

NEIGHBORHOOD MEDICAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

(h) Functional Allocation of Expenses—The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(i) Contributions—All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributed services and other support are reported as support and expenses at their estimated fair value in the period in which they are donated.

(j) Grant and Contract Receivables—Grant and contract receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

(k) Accrued Leave—The Organization compensates its employees for unused vacation leave upon termination of employment. The amount of the change in accrued leave for all employees from one year to the next is reported as an expense during the current year.

(l) Advertising Costs—Advertising costs are charged to operations in the period incurred.

**NEIGHBORHOOD MEDICAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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

(m) **Revenue Recognition**—The Organization receives all of its grant and contract revenue from state and local agencies. The Organization recognizes contract revenue (up to the contract ceiling) from its contracts over a period which represents the service period for certain contracts, or to the extent of expenses. Revenue recognition depends on the contract.

(2) Concentrations of Credit Risk:

The more significant concentrations of credit risk are as follows:

(a) **Demand and Time Deposits**—The Organization maintains cash deposits with multiple financial institutions. The Organization has no policy requiring collateral to support its cash deposits, although accounts at the bank are insured up to Federal Deposit Insurance Corporation limits.

(b) **Grant and Contract Receivables**—The Organization's receivables are for amounts due under grants and contracts with the State of Florida and local government agencies. The Organization has no policy requiring collateral or other security to support its receivables.

(c) **Unconditional Promise To Give**—Financial instruments that potentially subject the Organization to concentrations of credit risk include an unconditional promise to give. The unconditional promise to give is from United Way of the Big Bend, Inc.

(3) Pension Plan:

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed dollar amount, to the plan. The Organization may agree to make "nonelective" contributions to their employees' 403(b) plans. "Nonelective" contributions to the plan for the year ending September 30, 2012 totaled \$3,534.

(4) Significant Funding Sources:

The Organization receives a substantial amount of its funding from the State of Florida Department of Health, Leon County, Florida, United Way of the Big Bend, Inc., Capital Health Plan, and Tallahassee Memorial Healthcare, Inc. A significant reduction in the level of this funding could have an adverse effect on the Organization's programs and activities.

(5) Unconditional Promise to Give:

The Organization had an unconditional promise to give, receivable in less than one year, representing the following at September 30, 2012:

United Way of the Big Bend, Inc.	\$ <u>138,649</u>
----------------------------------	-------------------

**NEIGHBORHOOD MEDICAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

(6) Temporarily Restricted Net Assets:

At September 30, 2012, temporarily restricted net assets consist of an unconditional promise to give of \$138,649.

(7) Contingent Liabilities:

Grant Programs—Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects amounts, if any, to be immaterial.

(8) In-Kind Support:

The Organization receives donations of lab services to help serve clients. The value of this in-kind support is based upon the fair market value of donated services and tests performed on clients. In-kind revenue and expense totaled \$796,794 for the year ended September 30, 2012 and is recognized in the Statement of Activities.

(9) Capital Lease:

The Organization has entered into a lease agreement as a lessee for financing equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of its inception date. Leased equipment under the capital lease obligation of \$114,362 is included in furniture and equipment at September 30, 2012. Accumulated depreciation related to the equipment is \$26,684 at September 30, 2012. Depreciation expense related to the equipment and included in the Statement of Activities for the year ended September 30, 2012 was \$22,872. The future minimum lease obligation and the net present value of the minimum lease payments as of September 30, 2012 were as follows:

Year Ended September 30,	Amount
2013	\$ 24,100
2014	24,100
2015	24,100
2016	22,092
	94,392
Less amount representing interest	10,457
Present value of net minimum lease payments	83,935

Interest rate on the capitalized assets are 6.0% and is imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of the return.

NEIGHBORHOOD MEDICAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(10) Prior Period Adjustment:

Subsequent to the issuance of the Organization's September 30, 2011 financial statements, management determined its financial statements were misstated due to an overstatement of an unconditional promise to give receivable and an understatement of grant and contract receivables. The correction of these items in the September 30, 2012 financial statements decreased temporarily restricted beginning net assets by \$30,000 and increased unrestricted beginning net assets by \$21,333.

(11) Subsequent Events:

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 12, 2013, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.



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,
Neighborhood Health Services, Inc.:

We have audited the financial statements of Neighborhood Medical Center, Inc. as of and for the year ended September 30, 2012, and have issued our report thereon dated August 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Neighborhood Medical Center, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Neighborhood Medical Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood Medical Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weakness.

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12-01 Segregation of Duties—Although the small size of the Organization limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one person should have access to both physical assets and the related accounting records or all phases of a transaction. We noted once the billing specialists reconcile their daily sheets, the deposits are given to the Operations Manager to take to the bank. The receipts are given to the bookkeeper to record the deposits in the accounting software. However, there is no review or reconciliation being performed to determine whether the amount recorded and deposited in the bank agrees to the daily reconciliation performed by the billing specialist. We recommend the billing specialist provide a copy of the daily reconciliation to the bookkeeper to support the amount deposited into the bank.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neighborhood Health Services, Inc.'s financial statements are free of 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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

12-02 Existence of a Patient Participation Form—Leon County, Florida and the State of Florida, Department of Health require that all patients seen under the Carenet or Department of Health contracts have a signed Patient Participation Form on file. In our test of patient files, we noted instances where the patient's file did not include a required signed agreement. We recommend management ensure that all patients have signed a Patient Participation Form and that it is filed properly in the patient's file.

12-03 Patient Eligibility Verification—Leon County, Florida and the State of Florida, Department of Health require that patient eligibility for benefits under the Carenet and Department of Health contracts be calculated based on income, household size, residence and Medicare benefits received, and these calculations are to be done annually. In our test of patient files, we noted that eligibility and benefit calculations were not being done for patients, nor was a re-verification being performed on an annual basis. We recommend that Neighborhood Medical Center, Inc. takes steps to ensure that all patients' eligibility and benefits are calculated based on contractual guidelines.

Neighborhood Medical Center, Inc.'s response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit Neighborhood Medical Center, Inc.'s response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.C.

Tallahassee, Florida
August 12, 2013

Neighborhood Medical Center, Inc.
Response to Audit Findings

12-01 Segregation of duties

On a daily basis, each Intake Specialist prints out a day sheet which shows the amount of cash collected for that particular day. The total on the day sheet should correspond with the actual cash collected. Both the day sheet and cash are handed to the Medical Billing Specialist who prepares bank deposits. At least twice per week the Medical Billing Specialist prepares the bank deposit which includes funds collected by the Intake Specialists. Day sheets and copies of the deposit slip are filed in date order. The total of the day sheets for each particular period is compared with the deposit slip total by the Chief Financial Officer who signs and dates to verify the totals match. Any discrepancies are investigated and resolved with the Medical Billing Specialist.

12-02 and 12-03 Patient participation and eligibility verification forms

Neighborhood Medical Center has carried out a retraining program for intake staff on the importance of having all patients complete patient participation and patient eligibility forms. They have been informed that these forms are required by our funding partners in order to disburse funds to the clinic and are therefore absolutely essential.

Additionally, the clinic has partnered with Phreesia, a software company, to introduce electronic versions of the patient participation form and patient eligibility form. Patients are blocked from being seen until these forms have been completed and scanned into the Electronic Medical Record system.



2014/2015 Non-Departmental Funding Request Application

15 Leon County Office of Human Services and Community Partnerships
Primary Healthcare Program

SUBMISSION DEADLINE: Wednesday, April 30, 2014

Please read each question carefully and be thorough in your responses.
The following attachments must accompany the application:

1. Agency's Articles of Incorporation
2. Agency's most recent tax return
3. Agency's most recent financial report or audit, including the audit management letter

A. Organizational Information

Legal Name of Agency: Capital Medical Society Foundation, Inc.

Agency Representative: Sue Conte

Physical Address: 1204 Miccosukee Road, Tallahassee, FL 32308

Mailing Address: 1204 Miccosukee Road, Tallahassee, FL 32308

Telephone: (850) 877-9018

Fax: (850) 201-0085

E-mail Address: sconte@capmed.org

Employer ID Number (FEIN): 59-2104510

Does the Agency have a **501(c)(3)** status? Yes: X No:

Date of Agency Incorporation: May 7, 1981

RECEIVED

APR 24 2014

FY 2014/2015 Non-Departmental Funding Request Application**B. Program Information**

1. Succinctly describe the program for which funding is being requested. Please include types of services provided. (Attach additional pages as necessary)

The We Care Network organizes and coordinates the delivery of over \$5 million worth of donated specialty medical and dental care to low-income, uninsured patients referred by primary care providers each year. The We Care case managers qualify patients, provide education on accessing care, and organize the care donated by more than **300 volunteer physicians and 40 dentists, our local hospitals, and numerous ancillary medical providers.**

All of our patients must qualify for this free care through a financial screening process which looks at the income and expenses of the patient's household. All eligible patients must live at or below the 150% of the Federal Poverty Level, and their income must reconcile with their expenses.

Once the patient has qualified, all of the care they receive is donated by the physicians, dentists, hospitals, and ancillary medical providers who participate in the program, at no cost to the patient. When needed, case managers help patients with medications, transportation, equipment, and dental prosthetics through our patient assistance fund and by applying for prescription assistance programs through pharmaceutical companies when that is available.

The case managers coordinate all of the patients' care from start to finish. The screening for eligibility, including assistance applying for alternate programs, the scheduling of appointments, and the assistance purchasing medications is all done by the case managers.

There is no other access point or program like the We Care Network that allows low-income, uninsured persons the access to free care from physicians, dentists, hospitals, ancillary medical providers, and social workers. We are the only program serving this population in this way.

2. Why is this funding being requested? If this funding request is not approved, what would be the impact on your agency or program for which funding is sought?

This funding is being requested to support the provision of case management services, operating costs, and patient assistance. The We Care case managers serve as the access point to donated specialty medical and dental care for low-income, uninsured patients. The process employed by the We Care Network allows healthcare providers to donate care in an organized fashion without requiring the volunteer physicians/dentists or their staff to determine eligibility or coordinate access to other care for these patients. The funding from CareNet provides significant support for this endeavor and allows our program to ensure that charity care is provided for the most needy in our community. The funding for patient assistance goes directly to paying for medications, transportation, equipment, and dental prosthetics for current We Care patients. Providing this direct assistance improves patient compliance with treatment plans, improves health outcomes for these patients, and benefits our communities by avoiding a higher cost to the community for avoidable hospitalizations and emergency room use. The emergency room is the most expensive medical setting, estimated to cost at least four times as much as treating a patient through regular hospital admission. Treatment is not as effective, recovery is not as good, and takes longer to achieve.

If the funding request is not approved, our total program budget would be decreased by 45%. Our staffing would need to be reduced and services to Leon County patients would be decreased,

FY 2014/2015 Non-Departmental Funding Request Application

emergency room use would likely increase and outcomes for these patients would be negatively impacted. Our program would be forced to re-examine which counties and how many patients we could realistically serve with a reduced staff.

3. Projected program impact/outcome results: What is the projected impact on the target population?

- Approximately 1,900 patients will receive case management services, both short-term and long-term. These low-income, uninsured patients will become knowledgeable about available resources and how to access appropriate resources each year. In FY 2012-13, 751 new patients received short-term case management services. In FY 2012-13, 1,175 new patients received long-term case management services. As a result, low-income, uninsured patients gain access to specialty medical and dental care.
- Approximately \$5 million of medical and dental care will be donated by physicians, dentists, hospitals and others in the We Care Network Program. On average, more than 50% is donated care for Leon County residents.
- Patients are empowered to navigate the complex healthcare system with the assistance and guidance from case managers.
- More than \$18,000 worth of medications and transportation will be provided for these patients, thus improving patient compliance with treatment plans and ultimately improving health outcomes for these patients.
- Patients will complete needed treatments and return to their primary care providers for follow-up and management, thus improving health outcomes for these patients.
- Over 300 physicians and 40 dentists will continue to and find it more gratifying to donate when they know case management services will support the patient to improve outcomes.

4. List the targeted population projected to be served or benefit from this program.

The We Care Network serves low-income, uninsured residents of Leon, Gadsden, Jefferson, and Wakulla Counties. A prospective patient can have no applicable insurance, cannot be eligible for any alternative program (such as Medicaid, Medicare or subsidized coverage), lives at or below the Federal Poverty Level, has been determined by his or her primary care provider to be in need of specialty medical or dental care, and has no other means of getting the needed care. Approximately 58% of these patients are Leon County residents and the rest reside in the surrounding area.

Even with the implementation of the Affordable Care Act, individuals below the Federal Poverty Level who do not qualify for Medicaid and are not eligible for subsidies fall into a coverage gap under the Affordable Care Act.

According to the Kaiser Family Foundation, there were 3.9 million nonelderly uninsured people in Florida prior to the implementation of the Affordable Care Act. In Florida, due to gaps in Medicaid coverage, nearly half will remain uninsured because of Florida's decision not to implement expanded

Medicaid coverage as allowed under the act. Approximately 1/3 of the uninsured are estimated to be eligible for subsidies in the form of premium tax credits toward the purchase of insurance in the on-line marketplace. Floridians who fall below the Federal Poverty Level and are not eligible for Medicaid (mostly adults under the age of 65) are likely to remain uninsured due to their extremely limited income.¹ In addition, some individuals may be offered subsidized coverage in the marketplace but without adequate financial resources may not be able to purchase it. Some people are exempt from the requirement to obtain coverage, others do not have the financial means. These are the individuals in our county who will continue to have the most difficulty accessing specialty medical care. Using the Florida Department of Health, 2013 Vulnerable Population Profile showing 36,432 uninsured in Leon County and applying the estimates that one-half to two-thirds will remain ineligible or unable to purchase coverage, somewhere between 18,216 and 24,288 very low income individuals will remain uninsured and without access.²

5. Provide the methods that are being used effectively to attain this program's targeted population.

Our main referral sources in Leon County are Bond Community Health Center, Neighborhood Medical Center, and the Leon County Health Department. These healthcare centers are where the majority of uninsured patients seek care. We actively partner with these facilities, among others, to make sure they are aware of the services We Care can provide for their patients. We maintain contacts within each facility to ensure that correct information about our program is disseminated to the providers. These contacts send us referrals for patients who are in need of care. Once We Care receives the referral, a case manager contacts the patient by mail and/or phone to screen the patient for eligibility. If we cannot locate the patient, we inform the referring healthcare center so that they can follow-up with the patient.

We also work with social workers at TMH and CRMC to engage the many uninsured patients who show up in their emergency rooms needing care. These social workers help the patients obtain primary care, usually at Bond Community Health Center or Neighborhood Medical Center, so that a primary care provider can evaluate them and refer the patient to We Care, if appropriate. In urgent cases we will take referrals directly from the hospitals, with the goal of getting the patient into primary care in addition to specialty care as soon as possible.

The cases we receive from primary care providers are growing more medically complex each year and often require two or more types of specialty services. Accordingly, we have identified a need for clinical expertise to review the referrals and determine if there is a critical medical need present and whether we have adequate diagnostic work-up so that we can make timely referrals to a volunteer specialist to donate. We are requesting funding (\$52,273) to support the hiring of a clinically trained (RN/LPN) case manager to take this role and to manage the more complex medical cases. This will allow our social work case managers to handle a more manageable caseload and will improve and provide critical medical liaison with physicians to enhance coordination between primary care and specialty care.

Support for this new position will also allow our social work case managers to focus on addressing the confusion many of our most vulnerable citizens will face due to changes brought about by the Affordable Care Act and changes in our community health centers' federal funding. Placing a current social work case manager at the community health centers at least once a week, will allow them to meet patients in the setting they are most familiar with to encourage and assist them in the completion of eligibility documents.

¹ Kaiser Family Foundation Fact Sheet "How Will the Uninsured in Florida Fare Under ACA," January 6, 2014.

² Florida Department of Health, Florida Charts, 2013 Vulnerable Population Profile
Revised March 13, 2014

Our program is also faced with new reporting challenges from our funding partners. To manage these new reporting requirements, we are requesting additional funds for programming costs to make the required changes to our data management system. This will allow us to avoid entering data into two separate systems and to update tracking modules. This work is estimated to require a total 118 hours of programming time at \$95 per hour, for a total of \$11,210.00.

We are also requesting \$7,419.00 reflecting a three percent increase in staff salaries.

6. Outline the phases and time frames in which this program or event will be accomplished if funded.

The Capital Medical Society Foundation has run the We Care Network continuously since 1992. We operate on a July 1 – June 30 fiscal year. If funded, it will continue uninterrupted. New staff will be recruited once funding is secured. However, if our funding is discontinued, we will re-evaluate our ability to provide these donated services to the community.

7. List the program's short-term, intermediate, and long-term goals.

Short-term: To organize and deliver donated medical and dental care to low-income, uninsured residents in our community who would otherwise be unable to access this care.

Intermediate: To improve access to medical and dental care for the underserved in our community.

Long-term: To improve medical outcomes for uninsured patients through donated care and prescription and transportation assistance.

Long-term: To maintain and enhance a system of service delivery that encourages physicians and dentists to volunteer.

8. What other agencies in Leon County (governmental, non-profit, and private) provide services similar to those which would be provided by this funding?

One of the major functions of our case managers is to determine if there are other programs that could pay for or otherwise provide care for the patient. Some of these programs include: Medicaid, Vocational Rehabilitation, Division of Blind Services, Big Bend Cares, as well as subsidized insurance through the Affordable Care Act. As part of our screening process, the case managers evaluate the patient's situation and make this determination. We try to assist patients in availing themselves of all potential resources before turning to us for donated care. This is important so that as many patients as possible gain access to care through whatever program best suits their needs. If a patient is not eligible for any other program, then we accept the patient and our volunteer providers donate the care to the patient.

There is no other program in Leon County that uses this model of care or provides the access to providers who donate specialty medical and dental care.

9. Please provide a narrative as to how you coordinate with community agencies, including CareNet partners. List any Agency partnerships and collaboration related to this program.

Agency	Partnership/Collaboration
Bond Community Health Center	BCHC refers patients to We Care. Case managers in our program work with them to determine patients' eligibility for donated specialty services. Bond has a seat on the We Care Network Advisory Committee to ensure collaboration.
Neighborhood Medical Center	NMC refers patients to We Care. Case managers in our program work with them to determine patients' eligibility for donated specialty services. NMC has a seat on the We Care Network Advisory Committee to ensure collaboration.
Leon County Health Department	LCHD refers patients to We Care. We Care works with the health department to determine eligibility for donated services.
FAMU Pharmacy	FAMU Pharmacy works with We Care patients to provide prescription assistance programs which reduce the costs We Care must pay for patients' medications.
Vocational Rehabilitation	We refer patients who may be eligible for Vocational Rehab, or who may need care from both programs based on the patient's situation.
Big Bend Cares (BBC)	BBC and We Care sometimes have mutual patients who see providers related to their HIV/AIDS through BBC and providers for other health issues through us.

C. Funding Information

10. Agency's current total budget: 2013/14 \$351,070.00_(current) 2014/15 \$464,659.00_(proposed)

11. Total cost of program: \$464,659.00___

Please use your response to Question 11 to answer Questions 12-13.

12. Please list the 2013/14 funding amount and associated expenditures requested from **Leon County** and **Other Revenue Sources**:

Actual Expenditure Detail	Leon County Funded	Other Revenue Sources	Total
Compensation and Benefits	\$105,888.00	\$185,390.00	\$291,278.00
Professional Fees		\$11,700.00	\$11,700.00
Occupancy/Utilities/Network	\$6,055.00	\$20,231.00	\$26,286.00
Supplies/Postage	\$3,575.00	\$5,581.00	\$9,156.00
Equipment Rental, Maintenance, Purchase	\$5,102.00	\$6,248.00	\$11,350.00
Meeting Costs/Travel/Transportation		\$44,437.00	\$44,437.00
Staff/Board Development/Recruitment		\$1,281.00	\$1,281.00
Awards/Grants/Direct Aid	\$9,423.00	\$38,414.00	\$47,837.00
Bad Debts/Uncollectible	--	--	--
Bonding/Liability/Directors Insurance	--	\$5,559.00	\$5,559.00
Other Expenses (please itemize)	--	--	--
Total	\$130,043.00	\$319,021.00	\$449,064.00

13. Please list the following Revenue Sources for the current year and the upcoming year below:

Revenue Sources	2013/14 (Current)	2014/15 (Proposed)
CHSP	\$25,000.00	\$65,000.00
Leon County (not CHSP)	\$130,043.00	\$200,898.00
City of Tallahassee (not CHSP)	--	--
United Way (not CHSP)	\$14,800.00	\$14,800.00
State	\$68,000.00	\$68,000.00
Federal	--	--
Grants	\$55,000.00	\$55,000.00
Contributions/Special Events	\$57,227.00	\$60,000.00
Dues/Memberships	--	--
Program Service Fees	--	--
Utilized Reserves	--	--
Other Income (please itemize) Interest only	\$1,000.00	\$1,000.00
Total	\$351,070.00	\$464,698.00

14. Please list the following expenses for the current year and the upcoming year below:

Expenses	2013/14 (Current)	2014/15 (Proposed)
Compensation and Benefits	\$276,678.00	\$352,291.00
Professional Fees	\$9,665.00	\$18,463.00
Occupancy/Utilities/Network	\$19,290.00	\$29,000.00
Supplies/Postage	\$8,400.00	\$5,528.00
Equipment Rental, Maintenance, Purchase	\$11,220.00	\$24,532.00
Meeting Costs/Travel/Transportation	\$2,510.00	\$2,600.00
Staff/Board Development/Recruitment	\$1,281.00	\$1,130.00
Awards/Grants/Direct Aid	\$20,000.00	\$25,000.00
Bad Debts/Uncollectible	--	--
Bonding/Liability/Directors Insurance	\$4,390.00	\$6,115.00
Other Expenses (please itemize)	--	--
Total	\$353,434.00	\$464,659.00

15. Describe actions to secure additional funding. Please be specific.

Each year the We Care Network staff writes grants requesting funding from the following sources:

- Charles A. Frueauff Foundation
- Community Human Services Partnership
- United Way of the Big Bend
- Florida Dental Health Foundation

We contract with health departments in the four counties we serve to provide services to their residents. Our current contracts are with:

- Leon County Health Department
- Jefferson County Health Department
- Wakulia County Health Department
- Gadsden County Commission through Gadsden County Health Department

The following county commissions in our service area contract with us to provide services:

- Leon County Commission (through CareNet funding)
- Wakulla County Commission

16. Will this program or event recur every year?

No: _____ Yes: X _____

17. Would funding by Leon County be requested in subsequent years for successful completion of the program?

No: _____ Yes: X _____

If "yes," estimate, the amount of next year's funding request: \$200,898.00

FY 2014/2015 Non-Departmental Funding Request Application

18. Has Leon County contributed funds to this program in the past 5 years?

No: _____ Yes: X

If "yes," list date(s), recipient or agency, program title and amount of funding:

All funding from Leon County was provided to the Capital Medical Society Foundation, Inc. for the We Care Network program. The table below shows the funding provided on a July 1 – June 30 fiscal year, which is CMSF's fiscal year.

Funding Year	Funding Amount
2001 – 2002	\$ 30,012.68
2002 – 2003	\$ 65,357.90
2003 – 2004	\$ 83,616.00
2004 – 2005	\$ 83,616.00
2005 – 2006	\$ 83,616.00
2006 – 2007	\$ 83,616.00
2007 – 2008	\$ 83,616.00
2008 – 2009	\$ 83,616.00
2009 – 2010	\$ 120,048.28
2010 – 2011	\$ 130,043.00
2011 – 2012	\$ 130,043.00
2012 – 2013	\$ 130,043.00

CERTIFICATION

I, the undersigned representative of the Agency, organization or individual making this request, certify that to the best of my knowledge all statements contained in this request and its attachments are true and correct.

Print Name: Sue Conte
Title: Executive Director

Signature: Sue Conte

Date Signed: 4/23/14

CAPITAL MEDICAL SOCIETY FOUNDATION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2013

CAPITAL MEDICAL SOCIETY FOUNDATION, INC.
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JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Capital Medical Society Foundation, Inc.

We have audited the accompanying statement of financial position of Capital Medical Society Foundation, Inc. as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

- 1 -

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Medical Society Foundation, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013 on our consideration of Capital Medical Society Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Capital Medical Society Foundation, Inc.'s internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
November 4, 2013

**CAPITAL MEDICAL SOCIETY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013**

ASSETS

Current assets	
Cash and cash equivalents	\$ 352,414
Certificates of deposit	102,108
Investments	460,452
Grants, contracts and accounts receivable	27,647
Unconditional promises to give	33,700
Prepaid and other	3,056
Total current assets	<u>979,377</u>
Property and equipment, net	117,593
Total Assets	<u><u>\$ 1,096,970</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 5,368
Accrued expenses	7,563
Total current liabilities	<u>12,931</u>
Net assets	
Unrestricted	
Designated	740,339
Undesignated	
Operations	120,021
Property and equipment	117,593
Total unrestricted	<u>977,953</u>
Temporarily restricted	33,700
Permanently restricted	72,386
Total net assets	<u>1,084,039</u>
Total Liabilities and Net Assets	<u><u>\$ 1,096,970</u></u>

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

CAPITAL MEDICAL SOCIETY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Grant revenue	\$ 241,620	\$ 30,000	\$ -	\$ 271,620
Auction revenue	83,405	-	-	83,405
Contributions	59,313	3,700	-	63,013
Rental income	18,600	-	-	18,600
Patient assistant revenue	19,473	-	-	19,473
Investment return	71,145	-	1,015	72,160
Other income	1,086	-	-	1,086
Net assets released from restrictions	30,000	(30,000)	-	-
Total support and revenues	<u>524,642</u>	<u>3,700</u>	<u>1,015</u>	<u>529,357</u>
Expenses				
Salaries and related benefits	242,198	-	-	242,198
Program service expenses	39,806	-	-	39,806
Scholarships	30,000	-	-	30,000
Other	1,080	-	-	1,080
Insurance	4,345	-	-	4,345
Management fees	31,800	-	-	31,800
Travel	907	-	-	907
Telephone	3,883	-	-	3,883
Utilities	3,458	-	-	3,458
Dues and subscriptions	126	-	-	126
Postage	4,402	-	-	4,402
Printing and copying	1,892	-	-	1,892
Office	3,166	-	-	3,166
Advertising	1,858	-	-	1,858
Professional fees	11,075	-	-	11,075
Repairs and maintenance	10,876	-	-	10,876
Computer and internet	3,402	-	-	3,402
Taxes and licenses	261	-	-	261
Fundraising	25,875	-	-	25,875
Depreciation	2,788	-	-	2,788
Total expenses	<u>423,198</u>	<u>-</u>	<u>-</u>	<u>423,198</u>
Increase in net assets	<u>101,444</u>	<u>3,700</u>	<u>1,015</u>	<u>106,159</u>
Net assets, beginning of year	876,509	30,000	71,371	977,880
Net assets, end of year	<u>\$ 977,953</u>	<u>\$ 33,700</u>	<u>\$ 72,386</u>	<u>\$ 1,084,039</u>

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

CAPITAL MEDICAL SOCIETY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities	
Cash received from grantors, contractors, and contributors	\$ 483,042
Cash paid to employees, vendors, and subcontractors	(416,949)
Interest and dividends received	10,741
Net cash provided by operating activities	<u>76,834</u>
Cash flows from investing activities	
Purchases of fixed assets	(2,788)
Proceeds from sales of investments	26,099
Purchase of investments	(21,875)
Net cash provided by investing activities	<u>1,436</u>
Net increase in cash and cash equivalents	<u>78,270</u>
Cash and cash equivalents, beginning of year	274,144
Cash and cash equivalents, end of year	<u>\$ 352,414</u>
Reconciliation of increase in net assets	
to net cash provided by operating activities	
Increase in net assets	<u>\$ 106,159</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	2,788
Increase in unconditional promises to give	(3,700)
Decrease in grants, contracts and accounts receivable	29,545
Decrease in prepaid expenses	1,309
Decrease in accounts payable	(182)
Increase in accrued expenses	2,334
Unrealized gain on investments	(61,419)
Total adjustments	<u>(29,325)</u>
Net cash provided by operating activities	<u>\$ 76,834</u>

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

CAPITAL MEDICAL SOCIETY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies and practices of Capital Medical Society Foundation, Inc. (the "Foundation") which affect significant elements of the accompanying financial statements:

(a) **General**—Capital Medical Society Foundation, Incorporated, hereby known as "The Foundation." is a not-for-profit corporation established in 1975. The charitable foundation operates alongside Capital Medical Society, Inc. The Foundation operates the *We Care Network*, a network of over 300 volunteer physicians, 40 volunteer dentists, the hospitals and most of the allied health professionals in Tallahassee who donate medical and dental care to low-income uninsured patients from Leon, Jefferson, Gadsden, and Wakulla Counties. The estimated value of these services for the year ended June 30, 2013 was approximately \$5,000,000. The Foundation raises funds and writes grants to pay for the salaries and operating costs for social work case managers, who screen and schedule the patients with our volunteer physicians and dentists in the *We Care Network*. The Foundation also provides scholarships for deserving medical students enrolled in the FSU College of Medicine. In addition, the Foundation provides modest grants to local charities that assist with our mission to increase access to healthcare for the underserved.

(b) **Income Taxes**— The Foundation is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Foundation files income tax returns in the U.S. Federal jurisdiction. The Foundation's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The Foundation 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.

(c) **Cash and Cash Equivalents**—For the purpose of reporting cash flows, cash and cash equivalents represent demand deposits and short-term investments with original maturities of 90 days or less.

(d) **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) **Basis of Accounting**—The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant payables and other liabilities.

(f) **Basis of Presentation**—The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

CAPITAL MEDICAL SOCIETY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

(g) **Advertising**—Advertising costs are charged to operations as incurred.

(h) **Contributions**—All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed assets must be used, the Foundation has adopted a policy of not implying a time restriction on contributions of such assets.

(i) **Property and Equipment**—Property and equipment with a value greater than \$500 and an estimated useful life of at least one year is recorded at cost when purchased or at estimated fair market value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from five to thirty-nine years.

(j) **Accrued Leave**—The Foundation compensates its employees for unused vacation leave upon termination of employment up to 75 hours. The amount of the change in accrued leave for all employees from one year to the next is reported as an expense during the current year.

(k) **Grants, Contracts and Accounts Receivable**—Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with grantors and others having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

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

(a) **Demand and Time Deposits**—The Foundation maintains cash deposits with several financial institutions. The Foundation has no policy requiring collateral to support its cash deposits, although accounts at each bank are insured up to Federal Deposit Insurance Corporation limits.

(b) **Grants, Contracts and Accounts Receivable**—The Foundation's receivables are for amounts due under contracts with local, state, and Federal government agencies. The Foundation has no policy requiring collateral or other security to support its receivables.

(c) **Unconditional Promise to Give**—Financial instruments that potentially subject the Foundation to concentrations of credit risk include an unconditional promise to give.

(d) **Investments**—Financial instruments that potentially subject the Foundation to concentrations of credit risk include investments in mutual funds and bonds.

CAPITAL MEDICAL SOCIETY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(3) Property and Equipment:

The following is a summary of property and equipment at June 30, 2013:

Land	\$ 253,467
Building and improvements	53,766
Furniture and equipment	12,972
	320,205
Less: Accumulated depreciation	(202,612)
Total	\$ 117,593

(4) Simplified Employee Pension Plan:

The Foundation established a simplified employee pension plan for the benefit of employees that meet certain eligibility requirements. During the fiscal year ended June 30, 2013 the Foundation contributed \$5,218 to the plan.

(5) Restricted Net Assets:

At June 30, 2013, temporarily restricted net assets include the following:

Unconditional promises to give	\$ 33,700

At June 30, 2013, permanently restricted net assets include the following:

Ron Pickett memorial fund	\$ 72,386

(6) Fair Value Measurements of Investments:

Generally accepted accounting principles (GAAP) defines fair value as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP utilizes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The following is a brief description of those three levels:

CAPITAL MEDICAL SOCIETY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(6) Fair Value Measurements of Investments: (continued)

- **Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access as of the measurement date.
- **Level 2:** Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield *curves*, volatilities, prepayment speeds, credit risks, default rates, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
- **Level 3:** Unobservable inputs to measure fair value of assets and liabilities for which there is little, if any market activity at the measurement date, using reasonable inputs and assumptions based upon the best information at the time, to the extent that inputs are available without undue cost and effort.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>	
		<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Quoted Prices In Active Markets For Similar Assets (Level 2)</u>
Mutual funds	\$ 439,071	\$ -	\$ 439,071
Government bonds	21,382	21,382	-
	<u>\$ 460,453</u>	<u>\$ 21,382</u>	<u>\$ 439,071</u>

The following schedule summarizes the investment return in the statement of activities for the year ended June 30, 2013.

Interest	\$ 1,620
Dividends	5,646
Capital gains	1,471
Net unrealized gain (loss)	<u>61,419</u>
Total	<u>70,156</u>

Investments at June 30, 2013 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Mutual funds	\$ 409,297	\$ 439,071	\$ 29,774
Government bonds	20,000	21,382	1,382
Total	<u>\$ 429,297</u>	<u>\$ 460,453</u>	<u>\$ 31,156</u>

**CAPITAL MEDICAL SOCIETY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

(7) Related Party Transactions:

The Foundation receives administrative and management services from Capital Medical Society, Inc. Capital Medical Society, Inc. is a non-profit organization that is supported primarily by contributions from its members. During the year ended June 30, 2013, these services were provided by Capital Medical Society, Inc. to the Foundation for \$31,800. These amounts have been included in the Statement of Activities for the year ending June 30, 2013.

(8) Designated Net Assets:

The following is a summary of net assets designated by the board of directors for reserve at June 30, 2013:

We Care Network	\$ 284,702
Building Repair	25,390
Scholarships	48,338
New Projects	6,000
Operational Reserves	123,275
Foundation General Endowment	252,634
Total	<u>\$ 740,339</u>

(9) Subsequent Events:

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 4, 2013, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

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,
Capital Medical Society Foundation, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Capital Medical Society Foundation, Inc., which comprise the statement of financial position as of June 30, 2013, 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 November 4, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capital Medical Society Foundation, 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 Capital Medical Society Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Capital Medical Society Foundation, 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 below, we identified a certain deficiency in internal control that we consider to be a material weakness and significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We considered the following deficiency to be a material weakness:

12-01 Segregation of Duties—Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the Organization's accounting staff prohibits complete adherence to this concept, we believe that back up documentation should be retained for all adjusting journal entries. The entries should then be reviewed and subsequently signed off as approved by someone other than who prepares the entries. Implementing this policy will improve existing internal control without impairing efficiency.

- 11 -

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capital Medical Society Foundation, 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*.

Capital Medical Society Foundation, Inc.'s response to the finding identified in our audit is described in the accompanying corrective action plan. Capital Medical Society Foundation, 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Tallahassee, Florida
November 4, 2013

**CAPITAL MEDICAL SOCIETY FOUNDATION, INC.
CORRECTIVE ACTION PLAN
JUNE 30, 2013**

12-01 Segregation of Duties.

All back-up documentation for adjusting journal entries made by the Accountant will be reviewed and signed-off as approved by the Executive Director each month prior to closing. Accountant will keep a file of all journal entries made along with a written explanation of each one.



2014/2015 Non-Departmental Funding Request Application

Leon County Office of Human Services and Community Partnerships
Primary Healthcare Program

SUBMISSION DEADLINE: Wednesday, April 30, 2014

Please read each question carefully and be thorough in your responses.
The following attachments must accompany the application:

1. Agency's Articles of Incorporation
2. Agency's most recent tax return
3. Agency's most recent financial report or audit, including the audit management letter

A. Organizational Information

Legal Name of Agency: Florida A&M University

Agency Representative: Dr. Michael Thompson

Physical Address: 1415 South Martin Luther King Blvd., Tallahassee, FL 32327

Mailing Address: Same as above

Telephone: (850) 599-3171

Fax: (850) 599-3347

E-mail Address: michael.thompsn@fam.u.edu

Agency Employer ID Number (FEIN): 59-0977035

Does the Agency have a 501(c)(3) status? Yes: X No: _____

Date of Agency Incorporation: _____

B. Program Information

1. Succinctly describe the program for which funding is being requested. Please include types of services provided. (Attach additional pages as necessary).

- **The Unified Pharmaceutical Plan (UPP) is to operate community pharmacies to provide pharmaceutical care services for Leon County's uninsured citizens.**
- **Services provided via the UPP include prescription dispensing, adverse drug reaction surveillance and patient counseling.**
- **Administrative support of the Patient Assistant Program to insure that patients have access to newer (more expensive) medications that are not offered by the current FAMU Pharmacy drug formulary.**

New Initiatives

- **Diabetes Education and Empowerment Program (DEEP) – the primary goal of DEEP is to reduce hospitalizations and delay development of serious costly morbidity and mortality of uninsured patients with diabetes through improved diabetes control and associated health outcomes.**
- **Patient Assistance Program (PAP) expansion for residents of Leon County at both Neighborhood Medical Center and Bond Community Health Center as well as through referral from other agencies in town for chronic maintenance medications.**

2. Why is this funding being requested? If this funding request is not approved, what would be the impact on your agency or program for which funding is sought?

Justification for Current Initiatives

- **The funding for the UPP is being requested to support the county's effort to provide comprehensive primary care to uninsured patients in Leon County.**
- **The lost funding for this program would severely compromised impacted patient's access to critical pharmaceutical products. Failure to provide these services could result in increased emergency room visits, unnecessary hospitalizations and increased overall health care cost due to poorly managed diseases. Additionally, failure to effectively treat specific diseases that are common within the population (i.e. Diabetes, hypertension, heart failure, high cholesterol) has been shown to increase both morbidity and mortality.**

Justification for New Initiatives

- **Currently there are significant barriers that impede access to diabetes self-management education training (DSMET) for uninsured patients living in Leon County. While these services are provided by Tallahassee Memorial Health Care, the associated cost for such services is a tremendous barrier to accessing those services.**

Justification for New Initiatives

- **Research has demonstrated that DSME improves diabetes outcomes and reduces morbidity and mortality. According to Florida Charts from the Florida Department of Health, hospitalization rates of African American patients with diabetes is twice that of their white citizens of Leon county (2,2:1) AND emergency room visits are equally as high.(1.9:1)**
(<http://www.floridacharts.com/charts/MinorityReport.aspx?ProfileYear=2012&county=37&n=424>)
- **The FAMU Colleges of Pharmacy has a Certified Diabetes Educator (CDE) who is trained to provide culturally appropriate diabetes education and management.**
- **Strategically located DSMET classes in Southside and Frenchtown communities at local clinics, churches and neighborhood venues will improve access to care by elimination of barriers related to transportation.**
- **The DEEP is consistent with Day of Dialogue discussions to work cooperatively with partners such as the FAMU, Center for Health Equity, to improve indicators of disparities in the Leon County.**
- **Specifically, we are requesting funds to support the salary of a post-doctoral *Research Fellow to assist Pharmacist provided in-kind by the FAMU/Center for Health Equity (note: FAMU has invested in a certified diabetes educator (CDE) able to provide services to this initiative at 80% of full time salary.* The Research Fellow will also provide valuable support to the effort to expand the Patient Assistance Program. *We are requesting funds in the amount of \$67,000 for salary support of the Research Fellow and an additional \$2,500 for diabetes educational materials and supplies.***

3. Projected program impact/outcome results: What is the projected impact on the target population?

- **This program will improve the overall health of patients impacted through access to prescription medication required to successfully manage and control both acute and chronic disease states.**
- **Improved diabetes related clinical outcomes (A1C, BMI, lipid profile) and reduce overall cost associated with care for uninsured patients with diabetes through reduced emergency room visits and hospitalizations.**
- **Improved adherence to prescribed drug therapy as a result of increased access to prescription drugs via traditional pharmacy services as well as medications provided via the Patient Assistance Program (PAP)**

4. List the targeted population projected to be served or benefit from this program.
 - **Uninsured individuals living in Leon County**

5. Provide the methods that are being used effectively to attain this program's targeted population.
 - **The program primarily depends on referrals from area hospitals and medical facilities. Additionally, collaborations with other community based organizations are used to improve the Community's awareness of the services provided.**

6. Outline the phases and time frames in which this program or event will be accomplished if funded.
 - **The UPP is currently ongoing and fully implemented at this time**
 - **The proposed implementation plan for the DEEP initiative is below:**

Phase	Objective	Time Frame
Phase 1	Establishment of contractual agreements with partnering agencies	July 2014 – Sept 2014
Phase 2	Complete program logistics and initiate program promotion plan	Sept 2014 – Oct 2014
Phase 3	Program launching and implementation a. Primary Clinics (NMC and BCHC) b. Participating Churches and other community based agencies	Oct. 2014 January 2015 - March 2015

7. List the program's short-term, intermediate, and long-term goals.
 1. **Provide access to comprehensive affordable pharmaceutical care for uninsured individuals in Leon County**
 2. **Supplement Leon County funds for this venture by providing at no cost to the County faculty from the FAMU College of Pharmacy (COPPS) and doctoral students to provide both provider and patient education and to initiate interventions that will facilitate optimal care of patients**
 3. **Assist Providers in achieving positive outcomes through control of chronic diseases and address and resolve medication and disease related issues that may impede optimum care.**
 4. **Improve diabetes related clinical outcomes in uninsured patients in Leon County**
 5. **To improve access to costly medications to for qualified patients through expansion of the Patient Assistant Program.**

FY 2014/2015 Non-Departmental Funding Request Application

8. What other agencies in Leon County (governmental, non-profit, and private) provide services similar to those which would be provided by this funding?

- **Bond Community Health Center**

9. Please provide a narrative as to how you coordinate with community agencies, including CareNet partners. List any Agency partnerships and collaboration related to this program.

Agency	Partnership/Collaboration
Big Bend Coalition	Referral for prescription services
Capital Medical Society	Referral for prescription services
Catholic Charities	Referral for prescription services
Leon County	Referral for prescription services
Neighborhood Medical Services	Referral for prescription services, and disease management
The Shelter	Referral for prescription services

C. Funding Information

10. Agency's current total budget: 2013/14 \$ **177,500** (current) 2014/15 \$ **244,500** (proposed)

11. Total cost of program: **\$245,500**

Please use your response to Question 11 to answer Questions 12-13.

12. Please list the 2013/14 funding amount and associated expenditures requested from **Leon County** and **Other Revenue Sources**:

Actual Expenditure Detail	Leon County Funded	Other Revenue Sources	Total
Compensation and Benefits	\$162,500		\$162,500
Professional Fees			
Occupancy/Utilities/Network			
Supplies/Postage			
Equipment Rental, Maintenance, Purchase	\$6,142		\$6,142
Meeting Costs/Travel/Transportation			
Staff/Board Development/Recruitment			
Awards/Grants/Direct Aid			
Bad Debts/Uncollectible			
Bonding/Liability/Directors Insurance			
Other Expenses (please itemize)	\$5,858		\$5,858
	\$3,300		\$3,300
Total	\$177,500		\$177,500

FY 2014/2015 Non-Departmental Funding Request Application

13. Please list the following Revenue Sources for the current year and the upcoming year below:

Revenue Sources	2013/14 (Current)	2014/15 (Proposed)
CHSP		
Leon County (not CHSP)	\$177,500	\$244,500
City of Tallahassee (not CHSP)		
United Way (not CHSP)		
State		
Federal		
Grants		
Contributions/Special Events		
Dues/Memberships		
Program Service Fees		
Utilized Reserves		
Other Income (please itemize)	\$121,271	\$115,000
Total	\$298,771	\$359,500

14. Please list the following expenses for the current year and the upcoming year below:

Expenses	2013/14 (Current)	2014/15 (Proposed)
Compensation and Benefits	\$162,200	\$229,500
Professional Fees		
Occupancy/Utilities/Network		
Supplies/Postage		
Equipment Rental, Maintenance, Purchase	\$6,142	\$6,142
Meeting Costs/Travel/Transportation		
Staff/Board Development/Recruitment		
Awards/Grants/Direct Aid		
Bad Debts/Uncollectible		
Bonding/Liability/Directors Insurance		
Other Expenses (please itemize)		
Pharmacy Computer Software	\$5,858	\$5,858
MedData Services	\$3,300	\$3,300
Diabetes Educational Materials 2,500		\$2,500
Prescription Drug Cost		\$112,200
Total	\$177,500	\$359,500

15. Describe actions to secure additional funding. Please be specific.

The College of Pharmacy is actively pursuing extramural funding to support and enhance the current services it provides.

16. Will this program or event recur every year?

No: _____ Yes: Y

FY 2014/2015 Non-Departmental Funding Request Application

17. Would funding by Leon County be requested in subsequent years for successful completion of the program?

No: _____ Yes: Y

If "yes," estimate, the amount of next year's funding request: \$ 244,500

18. Has Leon County contributed funds to this program in the past 5 years?

No: _____ Yes: Y

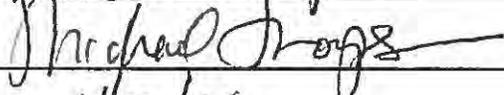
If "yes," list date(s), recipient or agency, program title and amount of funding:

Date	Recipient or Agency	Program Title	Funding Amount
FY2009-2010	FAMU College of Pharmacy	Unified Pharmaceutical Care Plan	\$177,500
FY2010-2011	FAMU College of Pharmacy	Unified Pharmaceutical Care Plan	\$177,500
FY 2011-2012	FAMU College of Pharmacy	Unified Pharmaceutical Care Plan	\$177,500
FY 2012-2013	FAMU College of Pharmacy	Unified Pharmaceutical Care Plan	\$177,500
FY 2013-2014	FAMU College of Pharmacy	Unified Pharmaceutical Care Plan	\$177,500

CERTIFICATION

I, the undersigned representative of the Agency, organization or individual making this request, certify that to the best of my knowledge all statements contained in this request and its attachments are true and correct.

Print Name: Michael Thompson

Signature: 

Date Signed: 4/30/14

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

Financial Audit

For the Fiscal Year Ended
June 30, 2013



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Notes: (1) Faculty senate chair.
(2) Student body president.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Cheryl B. Buchanan, CPA, and the audit was supervised by Karen L. Revell, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States.

Audit Objectives and Scope

Our audit objectives were to determine whether Florida Agricultural and Mechanical University and its officers with administrative and stewardship responsibilities for University operations had:

- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2013. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2014-108.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

MARCH 2014



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-412-2722
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Agricultural and Mechanical University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Agricultural and Mechanical University and of its aggregate discretely presented component units as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Florida Agricultural and Mechanical University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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 Florida Agricultural and Mechanical University's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2013, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2013, and June 30, 2012.

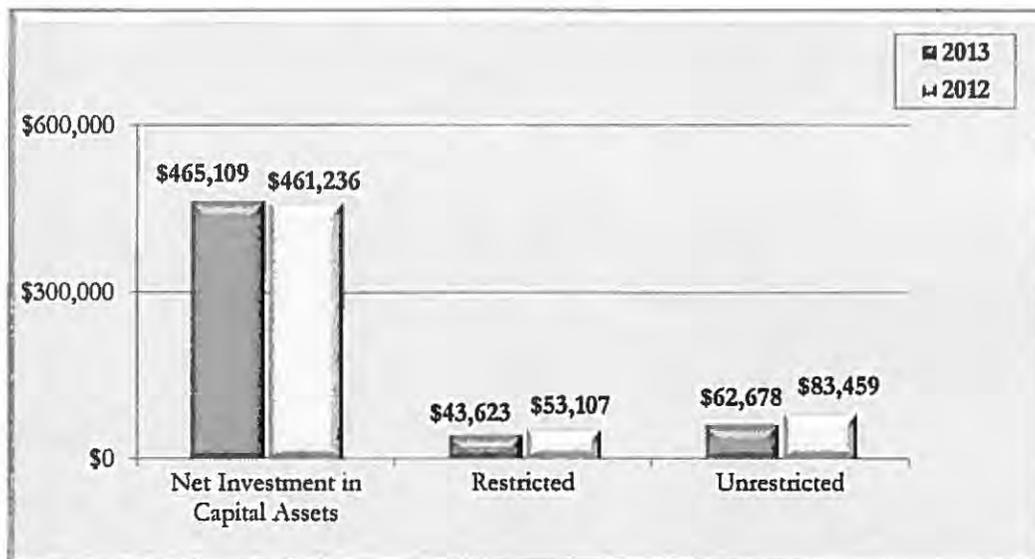
FINANCIAL HIGHLIGHTS

The University's assets totaled \$711.7 million at June 30, 2013. This balance reflects a \$20 million, or 2.9 percent, increase as compared to the 2011-12 fiscal year, primarily due to increases in other noncurrent assets of \$36.6 million and capital assets of \$19.1 million and a decrease in current assets of \$35.7 million. Liabilities increased by \$46.4 million, or 49.5 percent, totaling \$140.3 million at June 30, 2013, as compared to \$93.9 million at June 30, 2012. As a result, the University's net position decreased by \$26.4 million, resulting in a year-end balance of \$571.4 million.

The University's operating revenues totaled \$128.5 million for the 2012-13 fiscal year, representing a 9.3 percent decrease over the 2011-12 fiscal year due primarily to decreases in net tuition and fees of \$3.2 million, grants and contracts of \$3.9 million, sales and services of auxiliary enterprises \$1.6 million, and other operating revenues of \$4.5 million. Operating expenses totaled \$273.8 million for the 2012-13 fiscal year, representing a decrease of 0.8 percent over the 2011-12 fiscal year. Total operating expenses remained relatively constant as compared to the prior fiscal year.

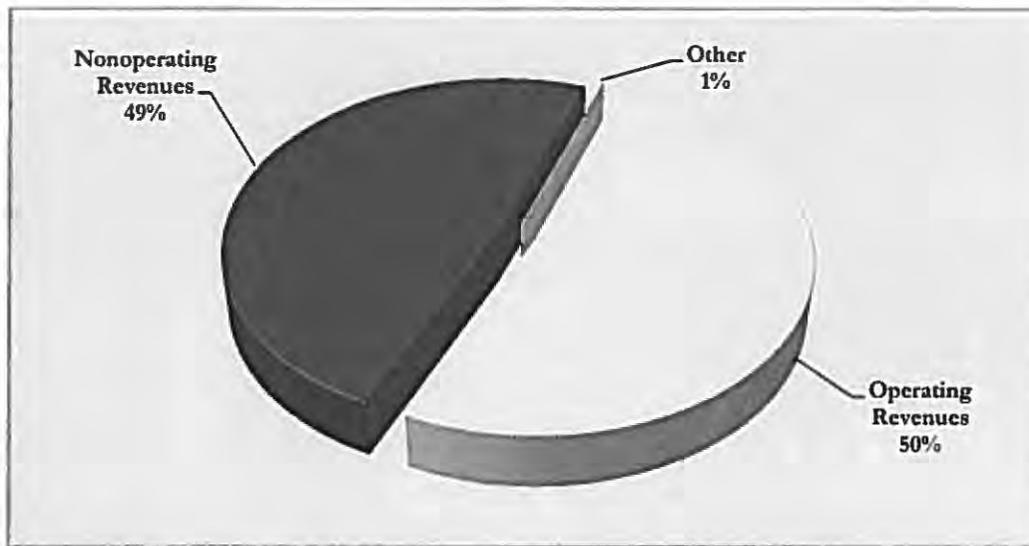
Net position represents the residual interest in the University's assets after deducting liabilities. The University's comparative total net position by category for the fiscal years ended June 30, 2013, and 2012, is shown in the following graph:

**Net Position
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2012-13 fiscal year:

Total Revenues



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include: Florida Agricultural and Mechanical University Foundation, Inc. (Foundation); Florida Agricultural and Mechanical University National Alumni Association, Inc.; and Rattler Boosters, Inc. The component units are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units.

THE STATEMENT OF NET POSITION

The statement of net position reflects the assets and liabilities of the University using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets less liabilities equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

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

Condensed Statement of Net Position at June 30
(In Thousands)

	2013	2012
Assets		
Current Assets	\$ 136,880	\$ 172,575
Capital Assets, Net	512,125	493,023
Other Noncurrent Assets	62,734	26,092
Total Assets	711,739	691,690
Liabilities		
Current Liabilities	23,743	24,097
Noncurrent Liabilities	116,586	69,791
Total Liabilities	140,329	93,888
Net Position		
Net Investment in Capital Assets	465,109	461,236
Restricted	43,623	53,107
Unrestricted	62,678	83,459
Total Net Position	\$ 571,410	\$ 597,802

Total assets increased by \$20 million, total liabilities increased by \$46.4 million, and total net position decreased by \$26.4 million. The decrease in current assets of \$35.7 million is primarily due to decreases in cash and in amounts due from the State of Florida for Public Education Capital Outlay funds to fund construction projects. The decrease in cash is primarily due to a shift to investments and decline in nonoperating revenues. Investments increased \$65.5 million, or 95.4 percent, while the State noncapital appropriations declined \$20.4 million. The reduction in State noncapital appropriations is due primarily to the \$19.9 million decrease to the University's base budget by the Florida Legislature. The increase in net capital assets is due primarily to additional construction activity for the new residence hall, pharmacy expansion, campus-wide energy savings measures, and campus electrical upgrades. The University issued dormitory revenue bonds in the amount of \$42,850,000 to finance construction of the residential facility. Accordingly, the bond issuance resulted in an increase to noncurrent assets and a corresponding increase to noncurrent liabilities. Several major construction projects were completed during the 2012-13 fiscal year, which attributed to the decrease in restricted net position. Furthermore, the \$20.8 million decrease in unrestricted net position is primarily attributed to managements' decision to fund the budget reduction from unrestricted net position reserves.

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2012-13 and 2011-12 fiscal years:

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**Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years
(In Thousands)**

	<u>2012-13</u>	<u>2011-12</u>
Operating Revenues	\$ 128,465	\$ 141,656
Less, Operating Expenses	<u>273,807</u>	<u>275,990</u>
Operating Loss	(145,342)	(134,334)
Net Nonoperating Revenues	<u>118,004</u>	<u>135,853</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(27,338)	1,519
Other Revenues	<u>946</u>	<u>2,299</u>
Net Increase (Decrease) In Net Position	(26,392)	3,818
Net Position, Beginning of Year	<u>597,802</u>	<u>593,984</u>
Net Position, End of Year	\$ 571,410	\$ 597,802

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

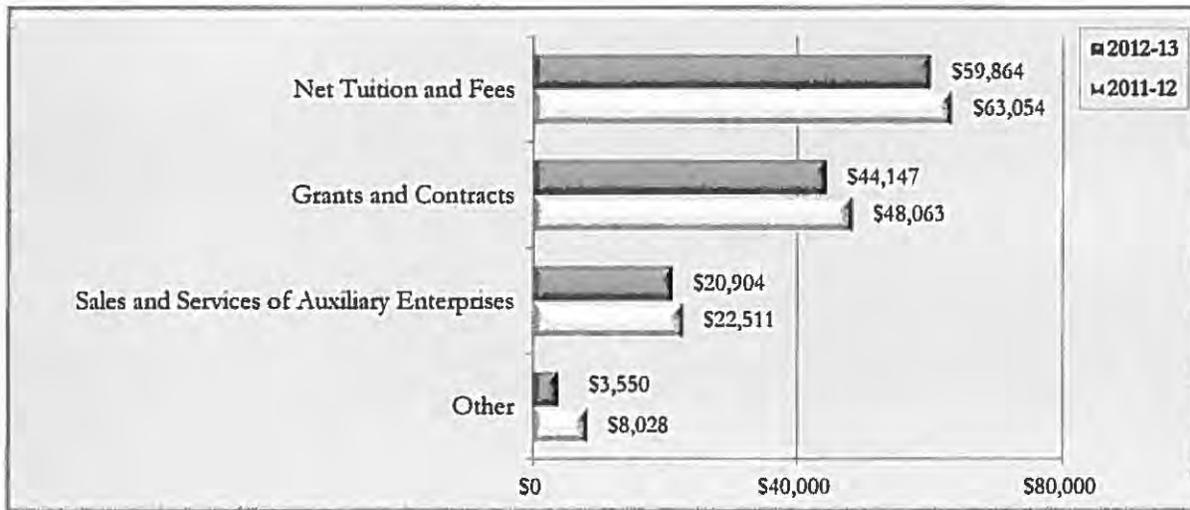
The following summarizes the operating revenues by source that were used to fund operating activities for the 2012-13 and 2011-12 fiscal years:

**Operating Revenues
(In Thousands)**

	<u>2012-13</u>	<u>2011-12</u>
Net Tuition and Fees	\$ 59,864	\$ 63,054
Grants and Contracts	44,147	48,063
Sales and Services of Auxiliary Enterprises	20,904	22,511
Other	<u>3,550</u>	<u>8,028</u>
Total Operating Revenues	\$ 128,465	\$ 141,656

The following chart presents the University's operating revenues for the 2012-13 and 2011-12 fiscal years:

**Operating Revenues
(In Thousands)**



The operating revenues for the 2012-13 fiscal year were \$128.5 million, of which \$59.9 million was from net tuition and fees. The net tuition and fees was the result of \$94.4 million in gross tuition and fees offset by scholarship allowances of \$34.5 million. Scholarship allowances represent the difference between the stated charges for goods and services provided by the University, and the amount that is actually paid by the student or third party making payment on behalf of the student. Net tuition and fees decreased by \$3.2 million, or 5.1 percent, as compared to the 2011-12 fiscal year. This decrease was due to a decline in enrollment partially offset by higher tuition and fee rates. Grants and contracts decreased \$3.9 million, or 8.1 percent, as compared to the 2011-12 fiscal year, due primarily to an overall decrease in Federal grants and contracts. The decrease in enrollment also affected housing and meal plan income that resulted in a 7.1 percent decrease to sales and services of auxiliary enterprises revenue. Other operating revenues decreased by \$4.5 million, or 55.8 percent, as compared to the 2011-12 fiscal year due primarily to reporting Foundation scholarship revenue as nonoperating revenue during the 2012-13 fiscal year.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

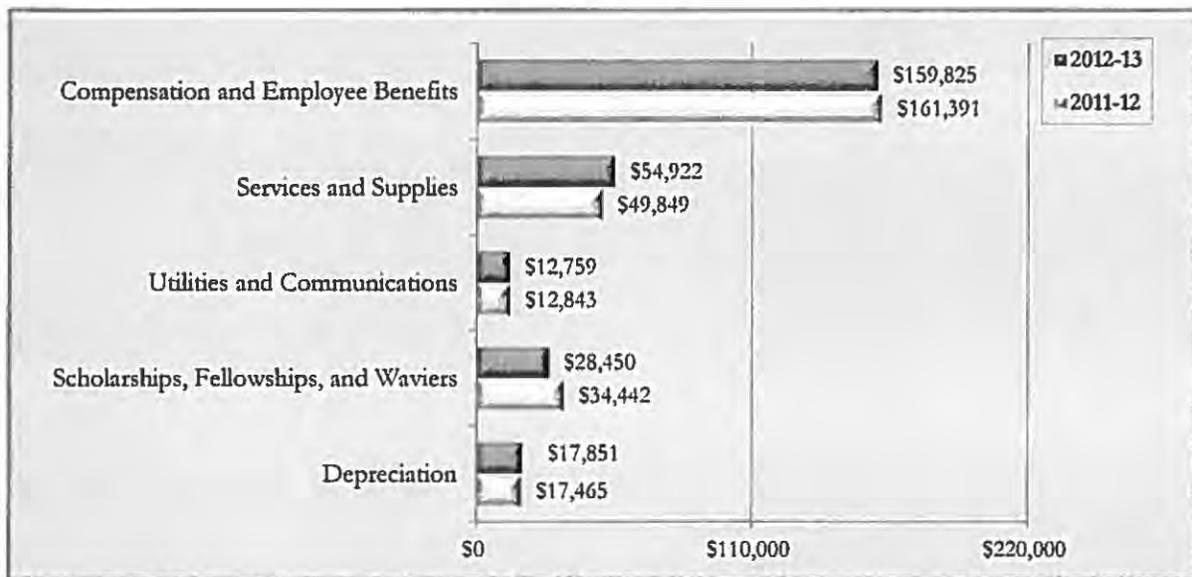
The following summarizes the operating expenses by natural classifications for the 2012-13 and 2011-12 fiscal years:

**Operating Expenses
For the Fiscal Years
(In Thousands)**

	2012-13	2011-12
Compensation and Employee Benefits	\$ 159,825	\$ 161,391
Services and Supplies	54,922	49,849
Utilities and Communications	12,759	12,843
Scholarships, Fellowships, and Waivers	28,450	34,442
Depreciation	17,851	17,465
Total Operating Expenses	\$ 273,807	\$ 275,990

The following chart presents the University's operating expenses for the 2012-13 and 2011-12 fiscal years:

**Operating Expenses
(In Thousands)**



Total operating expenses remained relatively constant as compared to the 2011-12 fiscal year. However, scholarships, fellowships, and waivers expenses decreased \$6 million, or 17.4 percent, primarily as a result of a decline in student enrollment. Services and supplies increased \$5.1 million, or 10.2 percent, primarily due to an increase in repair and maintenance expenses in the current fiscal year.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2012-13 and 2011-12 fiscal years:

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Nonoperating Revenues (Expenses)
(In Thousands)

	2012-13	2011-12
State Noncapital Appropriations	\$ 77,459	\$ 97,822
Federal and State Student Financial Aid	38,778	45,069
Noncapital Grants and Contracts	2,604	
Investment Income	1,932	1,770
Unrealized Gain (Loss) on Investments	(1,438)	240
Other Nonoperating Revenues	3,359	256
Gain (Loss) on Disposal of Capital Assets	16	(227)
Interest on Capital Asset-Related Debt	(3,239)	(1,713)
Other Nonoperating Expenses	(1,467)	(7,364)
Net Nonoperating Revenues	\$ 118,004	\$ 135,853

The University's net nonoperating revenues decreased by \$17.8 million, or 13.1 percent, primarily due to decreases in State noncapital appropriations (\$20.4 million), Federal and State student financial aid (\$6.3 million), and unrealized gains on investments (\$1.7 million); as well as an increase in interest on capital asset-related debt of \$1.5 million. The decrease in the University's State noncapital appropriations is due to the recent economic downturn affecting the State of Florida that prompted the Legislature to reduce the University's base budget. Likewise, the resulting unrealized loss on investments was shaped by slow performance in the financial market. The decrease in Federal and State student financial aid is due to a decline in enrollment. The increase in interest on capital asset-related debt is due to the interest expense associated with the issuance of bonds to finance new residence hall construction. These decreases to net nonoperating revenues were offset by increases in noncapital grants and contracts (\$2.6 million), other nonoperating revenues (\$3.1 million), and a decrease in other nonoperating expenses (\$5.9 million). The increase in noncapital grants and contracts was due to the Foundation providing funding for student scholarships. The increase in other nonoperating revenues is due primarily to the transfer from the University's Agency fund to support athletic scholarships. The reduction in other nonoperating expenses is attributed to the removal of capital assets in the 2011-12 fiscal year due to the change in the capitalization threshold for capital assets.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2012-13 and 2011-12 fiscal years:

Other Revenues, Expenses, Gains, or Losses
(In Thousands)

	2012-13	2011-12
State Capital Appropriations	\$ 783	\$ 1,130
Capital Grants, Contracts, Donations, and Fees	163	1,169
Total	\$ 946	\$ 2,299

The University's other revenues decreased by \$1.4 million, or 58.9 percent, primarily due to the discontinuation of the Historical Preservation grant to renovate Sampson residence hall, and completion of the Florida Agricultural and Mechanical University/Florida State University College of Engineering construction project.

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THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2012-13 and 2011-12 fiscal years:

**Condensed Statement of Cash Flows
(In Thousands)**

	2012-13	2011-12
Cash Provided (Used) by:		
Operating Activities	\$ (123,369)	\$ (115,279)
Noncapital Financing Activities	119,159	142,297
Capital and Related Financing Activities	21,256	(4,337)
Investing Activities	(64,962)	25,837
Net Increase (Decrease) in Cash and Cash Equivalents	(47,916)	48,518
Cash and Cash Equivalents, Beginning of Year	61,654	13,136
Cash and Cash Equivalents, End of Year	\$ 13,738	\$ 61,654

Major sources of funds came from the proceeds from sales and maturities of investments (\$114.3 million); Federal direct student loan receipts (\$107.6 million); State noncapital appropriations (\$77.5 million); net student tuition and fees (\$59.7 million), proceeds from capital debt (\$47.9 million); grants and contracts (\$43.5 million); Federal and State student financial aid (\$41.4 million); and sales and services of auxiliary enterprises (\$21 million). Major uses of funds were for purchases of investments (\$181.3 million); Federal direct student loan disbursements (\$106.7 million); payments to employees (\$156.4 million); payments to suppliers of goods and services (\$66.2 million); payments to students for scholarships and fellowships (\$28.5 million); and the purchase or construction of capital assets (\$39.8 million).

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,
AND DEBT ADMINISTRATION**

CAPITAL ASSETS

At June 30, 2013, the University had \$755.2 million in capital assets, less accumulated depreciation of \$243.1 million, for net capital assets of \$512.1 million. Depreciation charges for the current fiscal year totaled \$17.9 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Thousands)

	2013	2012
Land	\$ 5,826	\$ 5,826
Works of Art and Historical Treasures	712	712
Construction in Progress	37,527	24,545
Buildings	381,572	374,426
Infrastructure and Other Improvements	60,744	61,197
Furniture and Equipment	12,928	13,371
Library Resources	12,121	12,048
Property Under Capital Leases	533	617
Computer Software	120	239
Other Capital Assets	42	42
Capital Assets, Net	\$ 512,125	\$ 493,023

Additional information about the University's capital assets is presented in the notes to financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2013, were incurred on the following projects: FAMU/FSU Engineering Building, an 800-Bed Dormitory, Pharmacy Building, and maintenance and renovation projects. The University's major construction commitments at June 30, 2013, are as follows:

	Amount (In Thousands)
Total Committed	\$ 92,912
Completed to Date	(37,527)
Balance Committed	\$ 55,385

Additional information about the University's construction commitments is presented in the notes to financial statements.

DEBT ADMINISTRATION

As of June 30, 2013, the University had \$89.6 million in outstanding capital improvement debt payable, note payable, and capital leases payable, representing an increase of \$45.4 million, or 102.6 percent, from the prior fiscal year. This was due mainly to the issuance of capital improvement debt of \$42.9 million at a \$5 million premium. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30
(In Thousands)

	2013	2012
Capital Improvement Debt	\$ 74,898	\$ 29,055
Note Payable	83	167
Capital Leases	14,663	15,035
Total	\$ 89,644	\$ 44,257

Additional information about the University's long-term debt is presented in the notes to financial statements.

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ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's major source of revenue continues to be State noncapital appropriations. Therefore, the economic condition of the University is closely tied to that of the State of Florida. During the 2012-13 fiscal year, the base budgets of State universities were reduced \$300 million. The University's share of that budget cut was \$19.9 million. The budget that the Florida Legislature adopted for the 2013-14 fiscal year fully restored the University's budget to its pre-2012-13 fiscal year level.

The Legislature's 2013-14 fiscal year budget also included \$20 million to the State University System for performance based funding. The monies are recurring to the System, but allocated to the universities annually based on the funding model. In subsequent years, the allocation will increase to \$50 million. The funding will be awarded through the 2016-17 fiscal year to institutions based on performance in key measures of student success. During the 2013-14 fiscal year, the University will receive a supplemental allocation of \$870 thousand as a result of this initiative.

The growth in enrollment will play a key role in the financial stability of the University. Currently, enrollment has shown a downturn. However, the University projects moderate growth over the next five years. Thus, stable enrollment in the long-term, coupled with continued State support and legislative authorization of appropriate tuition increases, will ensure that the University advances its mission of quality instruction, research, and public service.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information and financial statements and notes thereto, or requests for additional financial information should be addressed to Joseph H. Bakker, Interim Chief Financial Officer, and Vice President for Administrative and Financial Services, Florida Agricultural and Mechanical University, Foote-Hilyer Administrative Center, Suite 304, Tallahassee, Florida 32307.

BASIC FINANCIAL STATEMENTS

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
June 30, 2013

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 12,033,642	\$ 470,286
Investments	75,337,531	
Accounts Receivable, Net	20,231,302	568,075
Loans and Notes Receivable, Net	28,901	19,269
Due from State	28,199,421	
Inventories	447,751	4,693
Other Current Assets	601,060	
	Total Current Assets	1,062,323
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,703,893	
Restricted Investments	58,829,860	116,807,619
Loans and Notes Receivable, Net	2,200,534	
Depreciable Capital Assets, Net	468,059,744	193,222
Nondepreciable Capital Assets	44,065,298	
Other Noncurrent Assets		1,134
	Total Noncurrent Assets	117,001,975
	Total Assets	118,064,298
LIABILITIES		
Current Liabilities:		
Accounts Payable	5,799,730	66,251
Construction Contracts Payable	3,825,890	
Salaries and Wages Payable	2,187,974	
Deposits Payable	1,261,863	
Due to State	110,486	
Unearned Revenue	5,007,179	511,160
Other Current Liabilities		1,500,174
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	3,289,000	
Note Payable	83,334	
Loan Payable		67,428
Capital Leases Payable	753,164	
Compensated Absences Payable	1,424,400	
	Total Current Liabilities	2,145,013

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2013

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	\$ 71,609,324	\$
Loan Payable		136,465
Capital Leases Payable	13,909,652	
Compensated Absences Payable	19,070,575	
Other Postemployment Benefits Payable	9,747,000	
Other Noncurrent Liabilities	2,249,528	
	116,586,079	136,465
Total Noncurrent Liabilities		
	140,329,099	2,281,478
Total Liabilities		
NET POSITION		
Net Investment in Capital Assets	465,108,843	193,222
Restricted for Nonexpendable:		
Endowment		80,071,495
Restricted for Expendable:		
Debt Service	4,677,258	
Loans	2,136,447	
Capital Projects	36,809,342	
Other		34,814,231
Unrestricted	62,677,948	703,872
	\$ 571,409,838	\$ 115,782,820
TOTAL NET POSITION		

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

FLORIDA AGRICULTURAL AND UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2013

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$34,547,709 (\$1,660,506 Pledged for Parking Capital Improvement Debt)	\$ 59,863,621	\$
Federal Grants and Contracts	37,367,711	
State and Local Grants and Contracts	5,456,257	
Nongovernmental Grants and Contracts	1,323,297	
Sales and Services of Auxiliary Enterprises (\$11,600,052 Pledged for Housing Capital Improvement Debt \$761,679 Pledged for Parking Capital Improvement Debt \$2,197,512 Pledged for Student Services Capital Improvement Debt)	20,904,241	
Interest on Loans and Notes Receivable	77,688	
Other Operating Revenues	3,472,582	6,830,222
Total Operating Revenues	128,465,397	6,830,222
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	159,824,837	933,870
Services and Supplies	54,922,333	9,569,758
Utilities and Communications	12,759,318	62,440
Scholarships, Fellowships, and Waivers	28,450,102	
Depreciation	17,850,578	7,491
Total Operating Expenses	273,807,168	10,573,559
Operating Loss	(145,341,771)	(3,743,337)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	77,458,589	
Federal and State Student Financial Aid	38,778,392	
Noncapital Grants, Contracts, and Gifts	2,604,353	
Investment Income	1,931,898	3,255,323
Unrealized Gains and (Losses)	(1,438,491)	7,782,094
Other Nonoperating Revenues	3,359,004	
Gain on Disposal of Capital Assets	16,444	
Interest on Capital Asset-Related Debt	(3,238,648)	
Other Nonoperating Expenses	(1,467,318)	
Net Nonoperating Revenues	118,004,223	11,037,417
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(27,337,548)	7,294,080
State Capital Appropriations	783,023	
Capital Grants, Contracts, Donations, and Fees	162,612	
Increase (Decrease) in Net Position	(26,391,913)	7,294,080
Net Position, Beginning of Year	597,801,751	108,488,740
Net Position, End of Year	\$ 571,409,838	\$ 115,782,820

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

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

	<u>University</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 59,683,339
Grants and Contracts	43,541,156
Sales and Services of Auxiliary Enterprises	21,012,528
Interest on Loans and Notes Receivable	49,888
Payments to Employees	(156,424,373)
Payments to Suppliers for Goods and Services	(66,224,756)
Payments to Students for Scholarships and Fellowships	(28,450,102)
Loans Issued to Students	(289,210)
Collection on Loans to Students	209,363
Other Operating Receipts	3,523,490
Net Cash Used by Operating Activities	<u>(123,368,677)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	77,458,589
Federal and State Student Financial Aid	41,382,745
Federal Direct Loan Program Receipts	107,591,796
Federal Direct Loan Program Disbursements	(106,725,709)
Net Change in Funds Held for Others	(2,796,360)
Other Nonoperating Receipts	2,247,864
Net Cash Provided by Noncapital Financing Activities	<u>119,158,925</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	47,866,585
State Capital Appropriations	17,177,696
Capital Grants, Contracts, Donations, and Fees	199,490
Other Capital Related Receipts	1,542,321
Purchase or Construction of Capital Assets	(39,813,120)
Principal Paid on Capital Debt and Leases	(2,478,656)
Interest Paid on Capital Debt and Leases	(3,238,648)
Net Cash Provided by Capital and Related Financing Activities	<u>21,255,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	114,347,000
Purchase of Investments	(181,299,078)
Investment Income	1,989,703
Net Cash Used by Investing Activities	<u>(64,962,375)</u>
Net Decrease in Cash and Cash Equivalents	(47,916,459)
Cash and Cash Equivalents, Beginning of Year	61,653,994
Cash and Cash Equivalents, End of Year	<u>\$ 13,737,535</u>

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2013

	<u>University</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (145,341,771)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	17,850,578
Change in Assets and Liabilities:	
Receivables, Net	(450,125)
Inventories	33,706
Loans and Notes Receivable	(79,848)
Accounts Payable	1,423,188
Salaries and Wages Payable	46,127
Deposits Payable	133
Compensated Absences Payable	838,338
Unearned Revenue	(205,003)
Other Postemployment Benefits Payable	2,516,000
NET CASH USED BY OPERATING ACTIVITIES	\$ (123,368,677)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (1,438,491)

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

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and are governed by separate boards. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- Florida Agricultural and Mechanical University Foundation, Inc., is authorized to obtain private support to meet the critical needs of the University that are not met by public funds and assist the University in maintaining its "margin of excellence".
- Florida Agricultural and Mechanical University National Alumni Association, Inc., provides funds to foster scholarships and enhance the image of the University through positive public relations and public service.
- Rattler Boosters, Inc. (Boosters), provides contributions to the University to stimulate the education, health, and physical welfare of the students.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's component units, including copies of audit reports, is available by

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

contacting the University Public Relations or, for the Boosters, by contacting the Athletic Director. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Other Required Supplementary Information

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities, resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follow FASB standards of accounting and financial reporting for not-for-profit organizations.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

Capital Assets. University capital assets consist of land; works of art and historical treasures; construction in progress; buildings; infrastructure and other improvements; furniture and equipment; library resources; property under capital leases; computer software; and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$5,000 for tangible personal property, and \$100,000 for new buildings, and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Leases – 10 years
- Works of Art and Historical Treasures – 5 years
- Computer Software – 3 to 7 years

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Noncurrent Liabilities. Noncurrent liabilities include capital improvement debt payable, capital leases payable, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount and deferred losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the debt using the straight-line method.

2. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

State Treasury Special Purpose Investment Account

The University reported investments at fair value totaling \$121,421,064 at June 30, 2013, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.65 years, and had a fair value factor of 0.9975 at June 30, 2013. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Debt Service Accounts

The University reported investments totaling \$4,670,989 at June 30, 2013, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Other Investments

The University's other investments at June 30, 2013, totaling \$8,075,338, consist of investments in mutual funds held in an escrow account to be used to finance implementation of various energy savings measures. The following risks apply to these investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment in mutual funds have portfolios with average durations ranging from 53 to 397 days.

Credit Risk: Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. The University's investments in mutual funds at June 30, 2013, had portfolios with investments having an average credit quality rating of AAAm by Standards & Poor's and AAA-mf by Moody's Investors Service.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The University's investments in mutual funds are held by the safekeeping agent in the name of the University.

Component Units' Investments

Investments held by the University's component units, Florida Agricultural and Mechanical University Foundation, Inc., and Florida Agricultural and Mechanical University National Alumni Association, Inc., at June 30, 2013, are reported at fair value as follows:

Investment Type	Florida Agricultural and Mechanical University Foundation, Inc.	Florida Agricultural and Mechanical University National Alumni Association, Inc.	Total
	_____	_____	_____
United States Guaranteed Obligations	\$ 5,280,527	\$	\$ 5,280,527
Bonds	6,062,375		6,062,375
Stocks	25,390,557		25,390,557
Real Estate Investments	6,780,781		6,780,781
Mutual Funds	44,975,312		44,975,312
Money Market Funds	10,276,215		10,276,215
Investment Agreements	16,515,296	1,526,556	18,041,852
	_____	_____	_____
Total Component Units' Investments	\$ 115,281,063	\$ 1,526,556	\$ 116,807,619

3. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2013, the University reported the following amounts as accounts receivable:

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 28,938,274
Contracts and Grants	8,437,760
Interest Receivable	795,882
Other	<u>1,322,368</u>
Total Accounts Receivable	39,494,284
Allowance for Doubtful Accounts	<u>(19,262,982)</u>
Total Accounts Receivable, Net	<u>\$ 20,231,302</u>

Loans and Notes Receivable. Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

Allowance for Doubtful Receivables. Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$19,262,982 and \$888,250, respectively, at June 30, 2013.

No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

4. DUE FROM STATE

This amount consists of \$28,199,421 of Public Education Capital Outlay allocations due from the State to the University for construction of University facilities.

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, is shown below:

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 5,826,333	\$	\$	\$ 5,826,333
Works of Art and Historical Treasures	712,049			712,049
Construction in Progress	24,545,390	32,365,489	19,383,963	37,526,916
Total Nondepreciable Capital Assets	\$ 31,083,772	\$ 32,365,489	\$ 19,383,963	\$ 44,065,298
Depreciable Capital Assets:				
Buildings	\$ 496,111,860	\$ 16,803,579	\$	\$ 512,915,439
Infrastructure and Other Improvements	75,268,558	1,141,012		76,409,570
Furniture and Equipment	62,061,827	3,313,298	1,068,272	64,306,853
Library Resources	53,625,457	2,738,551	108,489	56,255,519
Property Under Capital Leases	841,794			841,794
Works of Art and Historical Treasures	42,450			42,450
Computer Software	655,731		289,607	366,124
Other Capital Assets	41,525			41,525
Total Depreciable Capital Assets	688,649,202	23,996,440	1,466,368	711,179,274
Less, Accumulated Depreciation:				
Buildings	121,686,238	9,657,519		131,343,757
Infrastructure and Other Improvements	14,072,025	1,593,735		15,665,760
Furniture and Equipment	48,691,159	3,772,474	1,084,716	51,378,917
Library Resources	41,577,434	2,665,491	108,489	44,134,436
Property Under Capital Leases	224,478	84,180		308,658
Works of Art and Historical Treasures	42,009	441		42,450
Computer Software	416,864	76,738	248,050	245,552
Total Accumulated Depreciation	226,710,207	17,850,578	1,441,255	243,119,530
Total Depreciable Capital Assets, Net	\$ 461,938,995	\$ 6,145,862	\$ 25,113	\$ 468,059,744

6. UNEARNED REVENUE

Unearned revenue includes money drawn in advance of incurring expenses for cost reimbursement contracts and grants, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2013, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	\$ 3,981,104
Tuition and Fees	1,026,075
Total Unearned Revenue	\$ 5,007,179

7. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2013, include capital improvement debt payable, note payable, capital leases payable, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2013, is shown below:

MARCH 2014

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	\$ 29,055,326	\$ 47,866,585	\$ 2,023,587	\$ 74,898,324	\$ 3,289,000
Note Payable	166,667		83,333	83,334	83,334
Capital Leases Payable	15,034,552		371,736	14,662,816	753,164
Compensated Absences Payable	19,648,504	1,934,203	1,087,732	20,494,975	1,424,400
Other Postemployment Benefits Payable	7,231,000	3,566,000	1,050,000	9,747,000	
Other Noncurrent Liabilities	2,260,668		11,140	2,249,528	
Total Long-Term Liabilities	\$ 73,396,717	\$ 53,366,788	\$ 4,627,528	\$ 122,135,977	\$ 5,549,898

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2013:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt				
2010A Dormitory	\$ 14,687,000	\$ 13,701,355	5.07	2030
2010B Dormitory Revenue Refunding	12,960,000	10,750,808	4.6	2025
2012A Dormitory	47,866,585	47,615,755	4.0 - 5.0	2032
Total Student Housing Debt	75,513,585	72,067,918		
Parking Garage Debt:				
1997 Parking Garage	2,880,000	992,868	5.125 - 5.3	2018
Student Service Center Debt:				
1997 Student Service Center	6,310,000	1,837,538	5.3 - 5.4	2017
Total Capital Improvement Debt	\$ 84,703,585	\$ 74,898,324		

Note: (1) Amount outstanding includes unamortized discounts and premiums, and deferred losses on refunding issues.

The University has pledged a portion of future traffic and parking fees and various student fee assessments to repay \$2,830,406 in capital improvement (parking and student service center) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages and a student service center. The bonds are payable solely from traffic and parking fees, parking sales, and student service center revenues and are payable through 2018. The University has committed to appropriate each year from traffic and parking fees, parking sales, and student service center revenues, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$3,249,210, and principal and interest paid for the current year totaled \$756,828. During the 2012-2013 fiscal year, income from traffic and parking fees, parking sales, and student service center sales and services totaled \$1,660,506, \$761,679 and \$2,197,512, respectively.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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On July 11, 2012, the Florida Board of Governors issued Florida Agricultural and Mechanical University Dormitory Revenue Bonds, Series 2012A, in the amount of \$42,850,000 plus an original issue premium of \$5,016,585. The bond proceeds are used in the construction of a new 800 bed dormitory. These outstanding bonds, which include both term and serial bonds, are secured by a pledge of future housing rental revenues.

The University has pledged a portion of future housing rental revenues to repay \$72,067,918 in capital improvement (housing) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing for the refunding of existing capital improvement debt for student housing facilities and to remodel two existing student housing facilities. The bonds are payable solely from housing rental income and are payable through 2032. The University has committed to appropriate each year from the housing rental income amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$105,086,387, and principal and interest paid for the current year totaled \$4,361,302. During the 2012-13 fiscal year, housing rental income totaled \$11,600,052.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2013, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,289,000	\$ 3,380,008	\$ 6,669,008
2015	3,460,000	3,215,764	6,675,764
2016	3,634,000	3,043,006	6,677,006
2017	3,820,000	2,860,930	6,680,930
2018	3,486,000	2,669,446	6,155,446
2019-2023	18,945,000	10,706,903	29,651,903
2024-2028	18,900,000	5,962,543	24,862,543
2029-2032	<u>14,786,000</u>	<u>1,451,841</u>	<u>16,237,841</u>
Subtotal	70,320,000	33,290,441	103,610,441
Plus: Net Discounts and Premiums, and Deferred Losses on Refunding Issues	<u>4,578,324</u>		<u>4,578,324</u>
Total	<u>\$ 74,898,324</u>	<u>\$ 33,290,441</u>	<u>\$ 108,188,765</u>

Note Payable. On June 10, 2010, the University approved paying \$250,000 over three years to Florida State University, at an interest rate the same as that earned on Florida State University's auxiliary investments with the State Treasury, to help finance the cost of the digital 3D upgrade of the Challenger Learning Center's IMAX system. The note matures on August 10, 2013, and principal and interest payments are made annually. Annual requirements to amortize the outstanding note as of June 30, 2013, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 83,334</u>	<u>\$ 324</u>	<u>\$ 83,658</u>

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Capital Leases Payable. In prior years, the University entered into capital lease agreements totaling \$3,325,405 to finance the purchase of two travel buses and an energy savings contract. The stated interest rates are 4 and 4.5 percent, respectively. On April 17, 2012, the University entered into an additional capital lease agreement of \$12,302,562, to finance an energy performance savings contract. The stated interest rate is 2.5946 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2013, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2014	\$ 1,052,177
2015	1,768,643
2016	1,349,243
2017	1,349,243
2018	1,349,243
2019-2023	5,709,528
2024-2028	5,151,311
2029-2030	<u>343,421</u>
Total Minimum Payments	18,072,809
Less, Amount Representing Interest	<u>(3,409,993)</u>
Present Value of Minimum Payments	<u>\$ 14,662,816</u>

Other Noncurrent Liabilities. Represents the University’s liability for the Federal Capital Contribution (advance) provided to fund the University’s Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University have excess cash in the loan program. Federal capital contributions held by the University totaled \$2,249,528 at June 30, 2013.

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee’s unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2013, the estimated liability for compensated absences, which includes the University’s share of the Florida Retirement System and FICA contributions, totaled \$20,494,975. The current portion of the compensated absences liability, \$1,424,400 is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years’ total compensated absences liability.

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Other Postemployment Benefits Payable. The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer, defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 323 retirees received postemployment healthcare benefits. The University provided required contributions of \$1,050,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,311,000, which represents 1.2 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

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<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 1,953,000
Amortization of Unfunded Actuarial Accrued Liability	1,439,000
Interest on Normal Cost and Amortization	<u>136,000</u>
Annual Required Contribution	3,528,000
Interest on Net OPEB Obligation	289,000
Adjustment to Annual Required Contribution	<u>(251,000)</u>
Annual OPEB Cost (Expense)	3,566,000
Contribution Toward the OPEB Cost	<u>(1,050,000)</u>
Increase in Net OPEB Obligation	2,516,000
Net OPEB Obligation, Beginning of Year	<u>7,231,000</u>
Net OPEB Obligation, End of Year	<u>\$ 9,747,000</u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2013, and for the two preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010-11	\$ 2,548,000	37.0%	\$ 4,635,000
2011-12	3,548,000	26.8%	7,231,000
2012-13	3,566,000	29.4%	9,747,000

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$42,680,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$42,680,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$111,022,311 for the 2012-13 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 38.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2011, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2013, and the University's 2012-13 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 8.29 percent, 9.16 percent, and 8.13 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 10.43 percent, 4.92 percent, and 8.80 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.5 percent in the fourth year grading identically to 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 24 years.

8. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member

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retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	5.18
Florida Retirement System, Senior Management Service	3.00	6.30
Florida Retirement System, Special Risk	3.00	14.90
Teachers' Retirement System, Plan E	6.25	11.44
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	5.44
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions including employee contributions for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$7,008,927, \$4,234,022, and \$4,574,784, respectively, which were equal to the required contributions for each fiscal year.

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There were 135 University participants in the Investment Plan during the 2012-13 fiscal year. The University's contributions including employee contributions to the Investment Plan totaled \$513,386, which was equal to the required contribution for the 2012-13 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for eight or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 5.64 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 603 University participants during the 2012-13 fiscal year. The University's contributions to the Program totaled \$2,310,403 and employee contributions totaled \$2,264,381 for the 2012-13 fiscal year.

9. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2013, are as follows:

<u>Project Description</u>	<u>Total Committed</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Utilities and Infrastructure	\$ 8,288,200	\$ 8,102,739	\$ 185,461
800-Bed Dormitory Construction	49,914,244	16,534,829	33,379,415
Maintenance and Renovations	1,710,874	845,797	865,077
Pharmacy - Phase II	25,941,302	5,834,877	20,106,425
FAMU/FSU College of Engineering	4,951,422	4,257,942	693,480
Electrical and Technical Upgrades	1,451,572	1,317,222	134,350
FAMU DRS - Lab School	654,682	633,510	21,172
Total	\$ 92,912,296	\$ 37,526,916	\$ 55,385,380

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10. OPERATING LEASE COMMITMENTS

The University leased building space under operating leases which expire in December 2026. These leased assets and the related commitments are not reported on the University’s statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2014	\$ 394,238
2015	394,619
2016	310,306
2017	310,306
2018	310,306
2019-2023	1,551,529
2024-2027	<u>1,086,071</u>
Total Minimum Payments Required	<u>\$ 4,357,375</u>

11. RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers’ compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2012-13 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named windstorm and flood losses. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers’ compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State’s risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the

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State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

12. LITIGATION

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the University's legal counsel and management, should not materially affect the University's financial position.

A personal injury claim and complaint of alleged wrongful death involving a student was filed against the Board of Trustees in July 2012. This litigation grows out of a hazing incident that occurred on November 19, 2011. Discovery in this case is pending as well as the Court's decision on the University's motion for summary judgment. We are unable to estimate potential liability or damages, if any, at this time.

13. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 78,394,195
Research	22,545,824
Public Services	3,238,851
Academic Support	37,256,810
Student Services	6,248,352
Institutional Support	31,956,443
Operation and Maintenance of Plant	20,210,164
Scholarships, Fellowships, and Waivers	28,450,102
Depreciation	17,850,578
Auxiliary Enterprises	27,655,849
Total Operating Expenses	<u>\$ 273,807,168</u>

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14. SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. The following financial information for the University's Housing, Parking, and Student Services Center facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	Housing Facility	Parking Facility	Student Services
Assets			
Current Assets	\$ 52,789,673	\$ 2,591,895	\$ 4,934,734
Capital Assets, Net	47,112,201	2,247,437	5,940,173
Total Assets	<u>99,901,874</u>	<u>4,839,332</u>	<u>10,874,907</u>
Liabilities			
Current Liabilities	7,187,336	280,811	512,259
Noncurrent Liabilities	69,623,998	902,714	1,492,041
Total Liabilities	<u>76,811,334</u>	<u>1,183,525</u>	<u>2,004,300</u>
Net Position			
Net Investment in Capital Assets	11,722,722	1,254,569	4,102,635
Restricted - Expendable	6,885,382	745,672	1,015,991
Unrestricted	4,482,436	1,655,566	3,751,981
Total Net Position	<u>\$ 23,090,540</u>	<u>\$ 3,655,807</u>	<u>\$ 8,870,607</u>

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

	Housing Facility	Parking Facility	Student Services
Operating Revenues	\$ 11,600,052	\$ 2,422,185	\$ 2,197,512
Depreciation Expense	(964,475)	(70,841)	(195,706)
Other Operating Expenses	(6,855,912)	(2,072,626)	(1,395,085)
Operating Income	3,779,665	278,718	606,721
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	7,921,264	7	16
Interest Expense	(3,151,831)	(61,455)	(120,490)
Other Nonoperating Expense	(113,454)	(153,075)	(1,450,455)
Net Nonoperating Revenues (Expenses)	4,655,979	(214,523)	(1,570,929)
Increase (Decrease) in Net Position	8,435,644	64,195	(964,208)
Net Position, Beginning of Year	14,654,896	3,591,612	9,834,815
Net Position, End of Year	\$ 23,090,540	\$ 3,655,807	\$ 8,870,607

Condensed Statement of Cash Flows

	Housing Facility	Parking Facility	Student Services
Net Cash Provided (Used) by:			
Operating Activities	\$ 5,264,829	\$ 401,559	\$ 813,903
Noncapital Financing Activities	(97,698)	(151,649)	(1,430,546)
Capital and Related Financing Activities	37,946,887	(425,996)	(779,347)
Investing Activities	(46,244,418)	7	16
Net Decrease in Cash and Cash Equivalents	(3,130,400)	(176,079)	(1,395,974)
Cash and Cash Equivalents, Beginning of Year	3,180,652	2,494,848	6,308,207
Cash and Cash Equivalents, End of Year	\$ 50,252	\$ 2,318,769	\$ 4,912,233

15. COMPONENT UNITS

The University has three discretely presented component units as discussed in note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information for the Florida Agricultural and Mechanical University Foundation, Inc., Florida Agricultural and Mechanical University National Alumni Association, Inc., and Rattler Boosters, Inc., is from the most recently available audited financial statements:

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	Direct-Support Organizations			Total
	Florida Agricultural and Mechanical University Foundation, Inc.	Florida Agricultural and Mechanical University National Alumni Association, Inc.	Rattler Boosters, Inc.	
Condensed Statement of Net Position				
Assets:				
Current Assets	\$ 683,876	\$ 18,828	\$ 359,619	\$ 1,062,323
Capital Assets, Net	180,859		12,363	193,222
Other Noncurrent Assets	115,281,063	1,526,556	1,134	116,808,753
Total Assets	116,145,798	1,545,384	373,116	118,064,298
Liabilities:				
Current Liabilities	1,534,786	31,639	578,588	2,145,013
Noncurrent Liabilities			136,465	136,465
Total Liabilities	1,534,786	31,639	715,053	2,281,478
Net Position:				
Net Investment in Capital Assets	180,859		12,363	193,222
Restricted - Nonexpendable	80,071,495			80,071,495
Restricted - Expendable	33,428,792	1,385,439		34,814,231
Unrestricted	929,866	128,306	(354,300)	703,872
Total Net Position	\$ 114,611,012	\$ 1,513,745	\$ (341,937)	\$ 115,782,820
Condensed Statement of Revenues				
Expenses, and Changes in Net Position				
Operating revenues	\$ 5,886,737	\$ 459,709	\$ 483,776	\$ 6,830,222
Operating Expenses	(9,662,639)	(369,323)	(541,597)	(10,573,559)
Operating Income (Loss)	(3,775,902)	90,386	(57,821)	(3,743,337)
Net Nonoperating Revenues	10,993,802	43,570	45	11,037,417
Increase (Decrease) in Net Position	7,217,900	133,956	(57,776)	7,294,080
Net Position, Beginning of Year	107,393,112	1,379,789	(284,161)	108,488,740
Net Position, End of Year	\$ 114,611,012	\$ 1,513,745	\$ (341,937)	\$ 115,782,820

16. JOINTLY GOVERNED ORGANIZATIONS

The University's Board of Trustees and the Board of Trustees of Bethune-Cookman University created the Florida Classic Consortium Corporation (FCCC). The FCCC Board is composed of six members each from the University and Bethune-Cookman University. The primary purpose of the FCCC is to organize, sponsor, manage, produce, promote, and participate in the athletic contest specifically known as the Florida Classic (a football contest between the University and Bethune-Cookman University); to solicit, raise, and otherwise receive funds from sponsors and the general public; and to use, contribute, disburse, and dispose of such funds for the above purpose and the athletic programs of the University and Bethune-Cookman University. According

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

to a report issued by an independent certified public accounting firm, the University received distributions of \$244,941 and retained ticket sales of \$267,821, for a total distribution of \$512,762 from the proceeds of the Florida Classic football game held on November 17, 2012.

17. SUBSEQUENT EVENTS

On January 12, 2013, the University was notified that at the December 2012 meeting of the Board of Trustees of the Southern Association of Colleges and Schools (SACS) Commission on Colleges, the Commission placed the University on a twelve-month probation status for failure to comply with certain requirements of the SACS' *Principles of Accreditation*. On December 10, 2013, the SACS Commission on Colleges removed the University's probation status.

The University received from the United States Department of Education (USED) a final audit determination letter, dated March 7, 2014, related to the University's Federal awards finding No. FA-12-080 included in the *State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards* audit report No. 2013-161 for the 2011-12 fiscal year. In its determination letter, USED reported that the University incorrectly determined satisfactory academic progress for students receiving Federal student financial assistance during the 2011-12 fiscal year, resulting in ineligible students receiving Title IV Higher Education Opportunity Act funds, thereby incurring questioned costs totaling \$4,848,282. The University is required to pay these questioned costs to USED within 45 days of the determination letter date or file an appeal. The University plans to pay the full amount of questioned costs by April 1, 2014.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
 OTHER REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS -
 OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 25,388,000	\$ 25,388,000	0%	\$ 111,976,892	22.7%
7/1/2009		36,800,000	36,800,000	0%	116,164,144	31.7%
7/1/2011		42,680,000	42,680,000	0%	111,350,338	38.3%

Note: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011, unfunded actuarial accrued liability of \$42,680,000 was significantly higher than the July 1, 2009, liability of \$36,800,000 as a result of changes in the methodology used by the actuary to calculate this liability. The most significant modifications were changes in the long-term trend model, an increase in the coverage election assumptions, and the passage of the Patient Protection and Affordable Care Act.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-412-2722
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Agricultural and Mechanical University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 27, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

MARCH 2014

Compliance and Other Matters

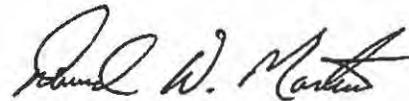
As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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*.

We noted certain matters that we reported to University management in our operational audit report No. 2014-108.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 27, 2014



2014/2015 Non-Departmental Funding Request Application

Leon County Office of Human Services and Community Partnerships
Primary Healthcare Program

SUBMISSION DEADLINE: Wednesday, April 30, 2014

Please read each question carefully and be thorough in your responses.
The following attachments must accompany the application:

1. Agency's Articles of Incorporation
2. Agency's most recent tax return
3. Agency's most recent financial report or audit, including the audit management letter

A. Organizational Information

Legal Name of Agency: Apalachee Center, Inc.

Agency Representative: Virginia H. Kelly, CFO

Physical Address: 2634 Capital Circle NE, Tallahassee, FL 32308

Mailing Address: 2634 Capital Circle NE, Tallahassee, FL 32308

Telephone: (850) 523-3333

Fax: (850) 523-3234

E-mail Address: gingerk@apalacheecenter.org

Agency Employer ID Number (FEIN): 59-1162148

Does the Agency have a 501(c)(3) status? Yes: X No: _____

Date of Agency Incorporation: June 14, 1966

RECEIVED

APR 30 2014

FY 2014/2015 Non-Departmental Funding Request Application

B. Program Information

1. Succinctly describe the program for which funding is being requested. Please include types of services provided. (Attach additional pages as necessary)

Funding is being requested for the provision of mental health services including psychiatric evaluations and therapies, medication management services, and case management services.

ARNPs/Psychiatrists will provide the aforementioned psychiatric and medication management services and will staff open/walk-in clinics three days a week allowing individuals to walk-in as needed.

Case managers will complete psychosocial histories and treatment plans, provide referrals to community resources, provide crisis intervention; will help eligible individuals access any third party payer for which they might be eligible, such as Medicaid; and will help individuals access other needed services such as food, housing, and transportation.

Apalachee Center, Inc. will refer those eligible patients, who do not already have a medical home, to Bond Community Health Center or Neighborhood Health Services for primary care services. Applicable federal, state, and local laws, regulations, administrative rules, policies, and procedures will be followed.

2. Why is this funding being requested? If this funding request is not approved, what would be the impact on your agency or program for which funding is sought?

Funding is sought to provide services for uninsured individuals who would otherwise have zero funding to access services. Funding will allow Apalachee to employ psychiatrists and/or psychiatric ARNPs and case managers to provide needed mental health services. If the funding is not approved, the open/walk-in clinic hours and case management hours will be reduced.

3. Projected program impact/outcome results: What is the projected impact on the target population?

Individuals will have access to mental health care and case management for their mental health needs. As a result, there will be an improved health status and better quality of life for those individuals and the community.

4. List the targeted population projected to be served or benefit from this program.

Mental Health Project clients—any person who is eligible to be a patient of Bond Community Health Center, Neighborhood Health Services, Apalachee Center, or the Leon County Health Department and needs mental health services, is indigent, and has no health insurance.

5. Provide the methods that are being used effectively to attain this program's targeted population.

Neighborhood Health Clinic, Bond Community Center, Leon County Health Department and

FY 2014/2015 Non-Departmental Funding Request Application

Prison Health services refer indigent clients in need of mental health services to Apalachee. Through this program, referred clients receive needed services in a timely manner.

6. Outline the phases and time frames in which this program or event will be accomplished if funded.

Services are currently available five (5) days a week from 8:00 am until 5:00 pm. Three (3) open/walk-in clinic days are currently available and will continue to be made available with this funding to ensure that uninsured individuals with serious persistent mental illness have consistent access to services.

7. List the program's short-term, intermediate, and long-term goals.

To improve the health and well-being of eligible individuals in the community through the delivery of mental health services and to improve access to third party payers such as Medicaid, TANF, and food stamps. Intermediate and long term goals include improved health status, and improved quality of life.

8. What other agencies in Leon County (governmental, non-profit, and private) provide services similar to those which would be provided by this funding?

There are no other agencies providing similar services.

9. Please provide a narrative as to how you coordinate with community agencies, including CareNet partners. List any Agency partnerships and collaboration related to this program.

Agency	Partnership/Collaboration
Apalachee Center, Inc.	Bond Community Health Services
Apalachee Center, Inc.	Neighborhood Health Clinic

C. Funding Information

10. Agency's current total budget: 2013/14 \$24M (*current*) 2014/15 \$24M (*proposed*)

11. Total cost of program:
 \$1.3M

Please use your response to Question 11 to answer Questions 12-13.

12. Please list the 2013/14 funding amount and associated expenditures requested from **Leon County and Other Revenue Sources**:

Actual Expenditure Detail	Leon County Funded	Other Revenue Sources	Total
Compensation and Benefits	157,671	888,414	1,046,085
Professional Fees		63,160	63,160
Occupancy/Utilities/Network		132,286	132,286

FY 2014/2015 Non-Departmental Funding Request Application

Supplies/Postage		28,022	28,022
Equipment Rental, Maintenance, Purchase		18,545	18,545
Meeting Costs/Travel/Transportation		10,499	10,499
Staff/Board Development/Recruitment		12,943	12,943
Awards/Grants/Direct Aid		-	-
Bad Debts/Uncollectible		17,327	17,327
Bonding/Liability/Directors Insurance		13,902	13,902
Other Expenses (please itemize)		9,827	9,827
Total	157,671	1,194,925	1,352,596

13. Please list the following Revenue Sources for the current year and the upcoming year below:

Revenue Sources	2013/14 (Current)	2014/15 (Proposed)
CHSP	157,671	157,671
Leon County (not CHSP)		
City of Tallahassee (not CHSP)		
United Way (not CHSP)		
State	496,000	496,000
Federal		
Grants		
Contributions/Special Events		
Dues/Memberships		
Program Service Fees	698,925	698,925
Utilized Reserves		
Other Income (please itemize)		
Total	1,352,596	1,352,596

14. Please list the following expenses for the current year and the upcoming year below:

Expenses	2013/14 (Current)	2014/15 (Proposed)
Compensation and Benefits	1,046,085	1,046,085
Professional Fees	63,160	63,160
Occupancy/Utilities/Network	132,286	132,286
Supplies/Postage	28,022	28,022
Equipment Rental, Maintenance, Purchase	18,545	18,545
Meeting Costs/Travel/Transportation	10,499	10,499
Staff/Board Development/Recruitment	12,943	12,943
Awards/Grants/Direct Aid	-	-
Bad Debts/Uncollectible	17,327	17,327
Bonding/Liability/Directors Insurance	13,902	13,902
Other Expenses (please itemize)	9,827	9,827
Total	1,352,596	1,352,596

15. Describe actions to secure additional funding. Please be specific.

FY 2014/2015 Non-Departmental Funding Request Application

16. Will this program or event recur every year?

No: _____ Yes: X _____

17. Would funding by Leon County be requested in subsequent years for successful completion of the program?

No: _____ Yes: X _____

If "yes," estimate, the amount of next year's funding request: \$157,671

18. Has Leon County contributed funds to this program in the past 5 years?

No: _____ Yes: X _____

If "yes," list date(s), recipient or agency, program title and amount of funding:

<u>Date</u>	<u>Recipient or Agency</u>	<u>Program Title</u>	<u>Funding Amount</u>
FY Ended 6/30/2013	Apalachee Center, Inc.	Primary Healthcare Program	\$157,671
FY Ended 6/30/2012	Apalachee Center, Inc.	Primary Healthcare Program	\$157,671
FY Ended 6/30/2011	Apalachee Center, Inc.	Primary Healthcare Program	\$157,671
FY Ended 6/30/2010	Apalachee Center, Inc.	Primary Healthcare Program	\$157,671
FY Ended 6/30/2009	Apalachee Center, Inc.	Primary Healthcare Program	\$257,765

CERTIFICATION

I, the undersigned representative of the Agency, organization or individual making this request, certify that to the best of my knowledge all statements contained in this request and its attachments are true and correct.

Print Name: Virginia H. Kelly

Signature: Virginia H. Kelly

Date Signed: 4/28/2014

**APALACHEE CENTER, INC.
TALLAHASSEE, FLORIDA**

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012



Law, Redd, Crona & Munroe, P.A.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Apalachee Center, Inc.
Tallahassee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Apalachee Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Board of Directors
Apalachee Center, Inc.
Page Two

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 Apalachee Center, Inc., as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

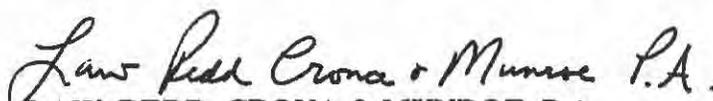
Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance at page 28, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Florida Single Audit Act*, is presented for purposes of additional analysis and is not a required part of the financial statements. The information included in the accompanying schedules at pages 20 through 27 is also presented for purposes of additional analysis 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 supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013, on our consideration of Apalachee 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 Apalachee Center, Inc.'s internal control over financial reporting and compliance.


LAW, REDD, CRONA & MUNROE, P.A.
Tallahassee, Florida
October 16, 2013

APALACHEE CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS		(As Restated - Note 2)
	2013	2012
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,204,065	\$ 3,782,910
Accounts Receivable, Net of Allowance for Doubtful Accounts	3,817,658	3,613,163
Investments	5,360,594	3,744,346
Interest Receivable	61,341	37,027
Inventories	177,816	173,980
Prepaid Expenses	123,577	85,568
Total Current Assets	11,745,051	11,436,994
PROPERTY AND EQUIPMENT, NET	17,943,154	18,572,376
OTHER ASSETS	106,437	124,289
TOTAL ASSETS	\$ 29,794,642	\$ 30,133,659
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,129,470	\$ 1,064,074
Current Portion of Long-Term Debt	387,996	387,996
Current Portion of Accrued Leave	176,161	187,819
Estimated Third-Party Payor Settlements	82,863	99,065
Other Current Liabilities	376,561	437,616
Total Current Liabilities	2,153,051	2,176,570
LONG-TERM LIABILITIES		
Post-Retirement Health Obligations	795,914	636,436
Long-Term Portion of Accrued Leave	357,660	381,330
Interest Swap Valuation	778,238	1,041,621
Long-Term Debt	7,663,687	8,051,683
Total Long-Term Liabilities	9,595,499	10,111,070
Total Liabilities	11,748,550	12,287,640
NET ASSETS	18,046,092	17,846,019
TOTAL LIABILITIES AND NET ASSETS	\$ 29,794,642	\$ 30,133,659

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

APALACHEE CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Unrestricted	
	2013	2012
REVENUES:		
Net Patient Service Revenue	\$ 8,805,629	\$ 8,553,817
Premium Revenue	483,051	1,053,146
Federal Contract	551,046	694,379
State Contracts	12,806,408	12,584,026
County and Other Local Funds	1,021,931	1,181,449
Investment and Other Income	454,222	210,275
Total Revenues	24,122,287	24,277,092
EXPENSES:		
Program Services:		
Outpatient	6,095,160	6,403,715
Inpatient	8,385,239	8,129,890
Residential	4,012,180	3,690,589
Community Support	921,337	1,309,609
FACT and Subsidies	979,163	1,022,790
Total Program Services	20,393,079	20,556,593
Support Services:		
Administrative	3,529,135	3,694,696
Total Expenses	23,922,214	24,251,289
Change in Net Assets	200,073	25,803
NET ASSETS - Beginning of Year, As Restated - Note 2	17,846,019	17,820,216
NET ASSETS - End of Year	\$ 18,046,092	\$ 17,846,019

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

APALACHEE CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 200,073	\$ 25,803
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	992,039	1,044,411
Provision for Bad Debt	710,516	489,513
Net Realized and Unrealized Loss (Gain) on Investments	181,455	(178,771)
Unrealized (Gain) Loss on Interest Rate Swap	(263,383)	224,893
Gain on Disposal of Property	0	(8,935)
(Increase) Decrease in Assets:		
Accounts Receivable	(915,011)	(1,135,622)
Interest Receivable	(24,314)	15,601
Inventories	(3,836)	(87,168)
Prepaid Expenses	(38,009)	53,408
Other Assets	(1,200)	(1,750)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	65,396	(381,396)
Accrued Leave	(35,328)	(32,726)
Estimated Third-Party Payor Settlements	(16,202)	(129,851)
Other Current Liabilities	(61,055)	(15,860)
Post-Retirement Health Obligations	159,478	14,698
Net Cash Provided by (Used in) Operating Activities	<u>950,619</u>	<u>(103,752)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of Short-Term Investments	1,335,120	4,332,280
Purchase of Investments	(3,132,823)	(1,468,299)
Proceeds from Sale of Property and Equipment	0	29,211
Purchase of Property and Equipment	(343,765)	(1,211,572)
Net Cash (Used in) Provided by Investing Activities	<u>(2,141,468)</u>	<u>1,681,620</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	0	500,000
Principal Payments on Line of Credit	0	(500,000)
Principal Payments on Long-Term Debt	(387,996)	(387,996)
Net Cash Used in Financing Activities	<u>(387,996)</u>	<u>(387,996)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(1,578,845)	1,189,872
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,782,910</u>	<u>2,593,038</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 2,204,065</u>	<u>\$ 3,782,910</u>
Supplemental Disclosure:		
Interest Paid - Note 9	<u>\$ 342,790</u>	<u>\$ 356,368</u>

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

APALACHEE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Apalachee Center, Inc. (the Corporation) provides behavioral health services to Leon, Wakulla, Gadsden, Liberty, Franklin, Jefferson, Madison and Taylor counties in Florida. The financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are summarized below:

Financial Statement Presentation: The Corporation is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. The Corporation has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

Cash and Cash Equivalents: The Corporation considers all highly liquid debt instruments, with a maturity of three months or less when purchased, to be cash equivalents. Such investments are carried at fair value.

Accounts Receivable: Accounts receivable from patient services are based on the Corporation's established rates, net of contractual adjustments with third-party payors and sliding fee-scale discounts. The Corporation determines an allowance for doubtful accounts which is based upon a review of outstanding receivables and historical collection trends by both payment source and age. Receivables past due more than 120 days are considered delinquent and written off when payment options have been exhausted. The Corporation recognizes the provision for bad debt expense related to receivables from patient service revenue as an expense in the Statement of Activities, as provided for in the Health Care Entities Revenue Recognition Topic of the FASB Accounting Standards Codification, in accordance with paragraph 954-605-45-5(b).

Investments: The Corporation invests cash in excess of current working capital requirements in government agency securities and certificates of deposit. Investments are carried at fair value.

Inventories: Inventories consist of office supplies and pharmaceuticals that are stated at the lower of cost or market on a first-in, first-out basis.

Property and Equipment: The Corporation capitalizes acquisitions of property and equipment having a useful life of more than one year and a cost of at least \$500. Donated property is recorded at its approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful life of the specific asset. Amortization of leased equipment under capital leases is computed on the straight-line method over the lease term.

APALACHEE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization: Hospital organization costs were capitalized and are being amortized on the straight-line method over 40 years. Bond issuance costs associated with the Leon County Industrial Revenue Bonds, Series 2007 were capitalized and are being amortized on the straight-line method over 10 years

Custodial Assets: The state of Florida has provided the Corporation with funds to purchase equipment and renovations needed for certain programs and facilities. Under Chapter 65E.14 of the *Florida Administrative Code* (FAC), the state retains a pro rata ownership interest in these assets and may require the Corporation to return or reimburse the state if disposed of prior to the end of their useful lives. Depreciation is recorded on these assets for financial reporting purposes, but is considered an unallowable expense for matching purposes.

Accrued Leave: The Corporation compensates its employees for limited amounts of accrued leave upon termination of employment. Further, the Corporation compensates employees with over 10 years of service for 25% of accumulated sick leave upon termination of employment. The amount of change in accrued leave for all employees from one year to the next is reported as an expense during the current year.

Derivative Instruments: The Corporation uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value. The Corporation documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. The Corporation's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate debt to a fixed rate.

Grants and Contracts: The Corporation performs various services under three types of contracts: matching grants, cost reimbursement, and purchase of service contracts. Revenues are recognized on the basis of expenses incurred for matching grants and cost reimbursement contracts, and on a fee for service basis for purchase of service contracts. Amounts earned but not received are reported as accounts receivable. Amounts received but not earned are reported as deferred revenue.

Net Patient Service Revenue: The Corporation has agreements with third-party payors that provide payments to the Corporation at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from self-pay, third-party and others for services rendered.

Charity Care: The Corporation has a policy of providing charity care to patients who are unable to pay. Such patients are identified and related charges are negotiated, based on financial information obtained from the patient and subsequent analysis. Since management does not expect payment for charity care, the value of charges in excess of negotiated rates is excluded from revenue.

APALACHEE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Premium Revenue: The Corporation has an agreement with a health maintenance organization (HMO) to provide services to subscribing Medicaid clients. Under this agreement, the Corporation receives monthly capitation payments based on the number of HMO enrollees. As of January 1, 2013, the agreement was amended and payment is based on a fee for service basis

Donations: Donations of goods and services are recorded as revenue and a corresponding expenditure based upon the fair value on the date of the donation. The major components of donations are personal services and the use of building space. Property and equipment donated or received from grants are recorded as capital additions with a corresponding addition to property and equipment and are depreciated accordingly.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and activities benefited.

Taxes: The Corporation is a not-for-profit organization as defined under Section 501(c)(3) of the *Internal Revenue Code*. No provision was made for Federal or State income taxes. The Corporation is not liable for federal unemployment compensation taxes and does not contribute to the Florida Unemployment Compensation Fund. It is liable for unemployment compensation claims as they are submitted to the Agency for Workforce Innovation.

If applicable, the Corporation recognizes interest and penalties related to unrecognized tax benefits in administrative expenses.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation to use estimates and assumptions based on analytical methods in determining the allowance for doubtful accounts, third-party payor settlements, depreciation, post retirement health obligations, and various other accruals. Accordingly, actual results could differ from those estimates.

NOTE 2 – PRIOR PERIOD ADJUSTMENT

The Corporation has restated certain financial statement amounts for the fiscal year ended June 30, 2012 to correctly report an accumulated liability and correct beginning net assets as of July 1, 2011 related to a deferred compensation plan covering certain current and former key executives.

APALACHEE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 – PRIOR PERIOD ADJUSTMENT (Continued)

The following financial statement line items were affected by this correction:

<u>Year Ended June 30, 2012</u>	<u>As Previously Reported</u>	<u>As Corrected</u>	<u>Effect of Correction</u>
Statement of Financial Position:			
Accounts Payable and Accrued Expenses	\$ 945,323	\$ 1,064,074	\$ 118,751
Net Assets	\$ 17,964,770	\$ 17,846,019	\$ (118,751)
Statement of Activities:			
Net Assets – Beginning of Year	\$ 17,938,967	\$ 17,820,216	\$ (118,751)
Net Assets – End of Year	\$ 17,964,770	\$ 17,846,019	\$ (118,751)

NOTE 3 – NET PATIENT SERVICE AND PREMIUM REVENUE

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- *Medicare* – Costs related to inpatient services provided to Medicare beneficiaries are paid based on a prospective payment system. The Corporation is reimbursed for cost reimbursable items, with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare fiscal intermediary. The Corporation's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2012.
- *Medicaid* – The Corporation bills Medicaid and other Medicaid contractors for outpatient and/or inpatient services performed. Services rendered are reimbursed by Medicaid and other Medicaid contractors subject to specific documentation requirements. Compliance audits are conducted periodically by the Medicaid fiscal intermediary and other Medicaid contractors, which can result in the recoupment of fees paid to the Corporation. The Medicaid fiscal intermediary has conducted compliance audits for periods through June 30, 2012.

APALACHEE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 – NET PATIENT SERVICE AND PREMIUM REVENUE (Continued)

The Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations (HMOs), Medicaid HMOs, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes discounts from established charges, prospectively determined rates, and plan enrollment data.

Such agreements are subject to various compliance requirements and audits thereon, which could result in recoupment of fees paid to the Corporation. However, no claims have been asserted by the parties of these agreements.

NOTE 4 – CASH AND CASH EQUIVALENTS

Apalachee Center, Inc. maintains its operating cash accounts at several North Florida commercial banks. At times, the balances may exceed the current Federal Depository Insurance Corporation (FDIC) limit of \$250,000 per bank. Apalachee Center, Inc. believes the credit risk related to these balances is minimal. A summary of the total insured and uninsured amounts held at these banks at June 30, 2013 and 2012 follows:

	2013	2012
Total Cash Held at Banks	\$2,305,983	\$3,868,513
Less: Portion Secured by FDIC	<u>(763,304)</u>	<u>(772,201)</u>
Uninsured Cash Balances	<u>\$1,542,679</u>	<u>\$3,096,312</u>

NOTE 5 – ACCOUNTS RECEIVABLE

At June 30, 2013 and 2012 accounts receivable consisted of the following:

	2013	2012
Patient Fees - First Party	\$ 375,207	\$ 418,670
Patient Fees - Third Party	1,893,445	1,746,411
State Contracts	2,131,561	2,005,197
County and Other Local Funds	138,496	67,751
Other Receivables	<u>47,519</u>	<u>88,999</u>
Total Accounts Receivable	4,586,228	4,327,028
Allowance for Doubtful Accounts	<u>(768,570)</u>	<u>(713,865)</u>
Net Accounts Receivable	<u>\$ 3,817,658</u>	<u>\$ 3,613,163</u>

APALACHEE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 5 – ACCOUNTS RECEIVABLE (Continued)

Medicaid reimbursements constituted approximately 7% and 5% of Patient Fees - Third Party accounts receivable for the years ended June 30, 2013 and 2012, respectively. Additionally, reimbursements through Medicaid HMOs constituted approximately 33% and 23% of Patient Fees – Third Party accounts receivable at June 30, 2013 and 2012, respectively.

NOTE 6 – FAIR VALUE MEASUREMENTS

Fair Value Measurement and Disclosures Topic of the FASB Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the Fair Value Measurement and Disclosures Topic are described as follows:

- Level 1:* Quoted prices in active markets for identical assets or liabilities.
- Level 2:* Observable market based inputs or unobservable inputs that are corroborated by the market data.
- Level 3:* Unobservable inputs that are not corroborated by market data.

Investments

At June 30, 2013 and 2012 investments were as follows:

<u>2013</u>	<u>Cost</u>	<u>Unrealized (Losses) Gains</u>	<u>Fair Value</u>
Level 1			
Government Agency Securities	\$ 2,990,650	\$ (74,531)	\$ 2,916,119
Certificates of Deposit	2,411,279	23,196	2,434,475
Total Level 1	5,401,929	(51,335)	5,350,594
Level 3			
PSN Shares	10,000	0	10,000
Total Investments - Unrestricted	<u>\$ 5,411,929</u>	<u>\$ (51,335)</u>	<u>\$ 5,360,594</u>

APALACHEE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

<u>2012</u>	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Value</u>
Level 1			
Government Agency Securities	\$ 1,713,654	\$ 46,223	\$ 1,759,877
Certificates of Deposit	1,900,000	74,469	1,974,469
Total Level 1	<u>3,613,654</u>	<u>120,692</u>	<u>3,734,346</u>
Level 3			
PSN Shares	10,000	0	10,000
Total Investments - Unrestricted	<u>\$ 3,623,654</u>	<u>\$ 120,692</u>	<u>\$ 3,744,346</u>

Investment return is summarized as follows:

	<u>2013</u>	<u>2012</u>
Interest and Dividends	\$ 139,937	\$ 181,125
Net Realized Loss	0	(3,087)
Net Unrealized (Loss) Gain	(181,455)	181,858
Total Unrestricted Investment (Loss) Income	<u>\$ (41,518)</u>	<u>\$ 359,896</u>

Investment income, net of realized and unrealized losses other than investment related, is reported in Investment and Other Income in the Statements of Activities.

Derivative Instrument

The Corporation has a bond payable to BB&T that bears interest at a floating rate based on the LIBOR (Note 9). To minimize the effect of changes in LIBOR, the Corporation entered into an interest rate swap agreement under which it pays interest at a fixed 4.42% and receives interest when the LIBOR rate exceeds the fixed rate of interest. Changes in the fair value of this agreement are recognized in Other Income in the Statements of Activities.

At June 30, 2013 and 2012, the fair value of the derivative instrument measured on a recurring basis and classified as Level 3 were as follows:

	<u>2013</u>	<u>2012</u>
Interest Swap Valuation – Beginning of Year	\$ 1,041,621	\$ 816,728
Unrealized (Gain) Loss	(263,383)	224,893
Interest Swap Valuation – End of Year	<u>\$ 778,238</u>	<u>\$ 1,041,621</u>

APALACHEE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 7 – PROPERTY AND EQUIPMENT

At June 30, 2013 and 2012, property and equipment were as follows:

	<u>Lives</u>	<u>2013</u>	<u>2012</u>
Land	N/A	\$ 1,021,381	\$ 1,021,381
Buildings and Improvements	20-40	25,021,283	24,905,672
Furniture and Equipment	5-10	<u>4,808,118</u>	<u>4,821,340</u>
Total Cost		30,850,782	30,748,393
Less: Accumulated Depreciation		<u>(13,245,386)</u>	<u>(12,439,292)</u>
		17,605,396	18,309,101
Construction-in-Progress		<u>337,758</u>	<u>263,275</u>
Total		<u>\$17,943,154</u>	<u>\$18,572,376</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$972,987 and \$1,025,359, respectively.

The Corporation leases certain office equipment under a lease classified as a capital lease. As of June 30, 2013 and 2012, the Corporation recorded \$31,333 of equipment under capital lease. Accumulated amortization of equipment under capital lease was \$31,333 as of June 30, 2013 and 2012, and is included in the above reported amounts of accumulated depreciation. The office equipment was fully amortized as of June 30, 2010.

NOTE 8 – OTHER ASSETS

At June 30, 2013 and 2012, other assets, reported net of accumulated amortization, were comprised of:

	<u>2013</u>	<u>2012</u>
Hospital Organization Costs	\$ 18,000	\$ 19,500
Bond Issuance Costs	74,136	91,688
Deposits	<u>14,301</u>	<u>13,101</u>
Total	<u>\$ 106,437</u>	<u>\$ 124,289</u>

Hospital organization costs consist of professional fees and other expenses associated with the approval of a certificate of need by the state of Florida in connection with the construction of a psychiatric acute care unit and are amortized over an estimated useful life of 40 years. Bond issuance costs consist of costs associated with the Leon County Industrial Revenue Bonds, Series 2007, and are amortized over 10 years. Amortization expense for each of the years ended June 30, 2013 and 2012 was \$19,052.

APALACHEE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 9 – LONG-TERM DEBT

Long-term debt is summarized as follows:

	<u>2013</u>	<u>2012</u>
Note payable to BB&T, payable in 120 monthly installments of \$4,000 plus interest computed with adjusted LIBOR (London Interbank Offered Rate) rate, obtained by adding the one month LIBOR rate plus 1.50% per annum, adjusted monthly (1.6943% and 1.7397% at June 30, 2013 and 2012, respectively). The note is collateralized by accounts and revenues, including all contract rights and health care insurance receivables, and matures January 1, 2018.	\$ 940,000	\$ 988,000
Leon County Industrial Revenue Bond, Series 2007, payable to BB&T in interest only payments for 16 months commencing February 2008 computed at 68% of the One-Month LIBOR rate plus 95 basis points (.95%) per annum, adjusted monthly (1.082% and 1.113% at June 30, 2013 and 2012, respectively). Equal monthly installments thereafter of \$28,333 plus interest until maturity. The bond matures February 5, 2018 with a balloon payment due of all unpaid principal. Collateral for the loan is comprised of a first priority security interest and pledge of all accounts and revenues, and a negative pledge on all assets not covered by the revenue pledge, including all real estate located at 2634 Capital Circle, NE. The Corporation has entered into an interest rate swap agreement whereby the floating LIBOR rate stated in the financing statement with BB&T has been fixed at 4.42%. The difference between the current floating LIBOR rate and the fixed rate is applied to the principal outstanding and either debited or credited to the Corporation's operating account each month as an interest rate swap payment.	<u>7,111,683</u>	<u>7,451,679</u>
Total	8,051,683	8,439,679
Less: Current Portion	<u>(387,996)</u>	<u>(387,996)</u>
Total Long-Term Debt	<u>\$ 7,663,687</u>	<u>\$ 8,051,683</u>

**APALACHEE CENTER, INC.
NOTES TO FIANANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 9 – LONG-TERM DEBT (continued)

Long-term debt outstanding at June 30, 2013 matures as follows:

Year Ending June 30		
2014	\$	387,996
2015		387,996
2016		387,996
2017		387,996
2018		<u>6,499,699</u>
Totals		<u>\$ 8,051,683</u>

Interest expense for the years ended June 30, 2013 and 2012 was \$342,790 and \$356,368, respectively.

At June 30, 2013 and 2012, the Corporation had a line of credit with BB&T up to \$500,000. Interest is payable monthly on any outstanding principal balance, computed based on the adjusted LIBOR rate, obtained by adding the one month LIBOR rate plus 1.5% per annum, adjusted monthly, with a minimum rate of 3.25%. The note is collateralized by all accounts and revenues and matures January 2014. The note had a zero balance at June 30, 2013 and 2012.

NOTE 10 – CHARITY CARE

The Corporation has a policy of providing charity care to indigent patients. These charges, which are excluded from revenues, amounted to \$2,277,750 and \$2,724,097 in 2013 and 2012, respectively, when measured at the Corporation's established rates.

NOTE 11 – EMPLOYEE BENEFITS

Retirement Plan

The Corporation has a retirement plan (the Plan) that covers substantially all employees who have completed one year of service and are age 18 or older. For the years ended June 30, 2013 and 2012, the Corporation contributed 6% of compensation to the Plan. The Corporation also makes discretionary matching contributions to the Plan based on employee elective deferrals to a 403(b)(7). For the years ended June 30, 2013 and 2012, the Corporation made matching contributions totaling \$54,989 and \$54,433, respectively. Retirement expense includes current service costs that are accrued and funded on a current basis. The Corporation's contribution for the years ended June 30, 2013 and 2012 was \$445,144 and \$470,481, respectively.

APALACHEE CENTER, INC.
NOTES TO FIANANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 11 – EMPLOYEE BENEFITS (continued)

Post-Retirement Health Plan

The Corporation has a post-retirement health care plan that covers substantially all employees who have completed twenty years of uninterrupted service; retire at age 55 or older; and who were covered under the Corporation's health insurance plan for the five years immediately preceding their retirement. Retired employees who qualify will be covered by the Corporation's health and dental care plan until they reach age 65 and will pay the same co-payment as regular employees. The Plan is not currently funded. The actuarially determined health care expense for the years ended June 30, 2013 and 2012 was \$237,843 and \$101,520, respectively. Premiums paid for the years ended June 30, 2013 and 2012 were \$78,365 and \$86,822, respectively. The post-retirement health obligation for the years ended June 30, 2013 and 2012 was \$795,914 and \$636,436, respectively.

The following assumptions were made to estimate the benefit obligation as of June 30, 2013:

1. The assumed annual turnover rate for employees under age 35 was 34%, and the assumed rate was graded from 34% at age 35 to 20% at age 50.
2. All retirees were assumed to pay the same rate as the active employees (22%), except for the classifications identified below:

<u>Classification</u>	<u>Cost Sharing</u>
Direct Level	10%
Management Level	0%
Physicians	0%

3. All eligible employees currently enrolled in the medical plan are assumed to continue their current medical and dental plan elections.
4. The assumed discount rate utilized was 4% and the medical inflation rate was 4.8% for the year, beginning July 1, 2012 based on actual experience, and 5% thereafter.
5. The assumed rates of retirement by age group were as follows:

<u>Age</u>	<u>Rate</u>
55	5%
56 – 59	2%
60 – 61	10%
62	25%
63 – 64	10%
65	100%

APALACHEE CENTER, INC.
NOTES TO FIANANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 12 – SELF-INSURANCE

The Corporation has elected to self-insure for unemployment compensation claims. Claims paid for the years ended June 30, 2013 and 2012 were \$37,520 and \$54,136, respectively.

NOTE 13 – CONCENTRATIONS

The Corporation provides substantial services under contracts with the Florida Department of Children and Families (DCF) which are contingent upon budget appropriations by the Florida Legislature. DCF amended and assigned these contracts to a private managing entity, Big Bend Community Based Care, Inc. (BBCBC) in accordance with Section 394.9082, *Florida Statutes*. Pursuant to the amended and assigned contract, the unexpended amount of the contract was reduced 3.99% or \$134,054 in order to provide funding for the managing entity's administrative expenses. The Corporation anticipates a further reduction of approximately \$500,000 for the year ending June 30, 2014. State contract revenues totaled approximately \$12.8 million and \$12.6 million for the years ended June 30, 2013 and 2012, respectively, representing 53% and 52% of total revenues for the years ended June 30, 2013 and 2012, respectively. At June 30, 2013, amounts due from BBCBC under the assigned contracts totaled \$2,047,453. Amounts due from DCF totaled \$1,913,496 at June 30, 2012.

NOTE 14 – INCOME TAXES

An entity must recognize the impact of uncertain tax positions in the financial statements if it is more likely than not that a tax position taken for tax return purposes will not be sustained upon examination by taxing authorities. The Corporation has concluded that it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits. The Corporation has filed all required tax returns in all jurisdictions in which it operates. Tax years after 2008 remain subject to examination by the applicable taxing authorities.

NOTE 15 – EVALUATION OF SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through October 16, 2013, the date which the financial statements were available to be issued.

ADDITIONAL INFORMATION

APALACHEE CENTER, INC.
SCHEDULES OF DETAILED REVENUES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
STATE CONTRACTS		
Adult Mental Health	\$ 9,509,217	\$ 9,255,835
Adult Substance Abuse	773,349	786,234
Children's Mental Health	821,276	846,683
Temporary Assistance for Needy Families	185,714	193,281
Florida Assertive Community Treatment (FACT)	999,995	999,995
FACT Enhancement Services	241,874	254,400
Child and Adult Care Food	85,724	85,822
Other State Agency Contracts	189,259	161,776
	<u>12,806,408</u>	<u>12,584,026</u>
FEDERAL CONTRACTS		
Primary Care Health Integration Project	351,046	494,379
Health Information Technology Adoption	200,000	200,000
	<u>551,046</u>	<u>694,379</u>
COUNTY AND OTHER LOCAL FUNDS		
School Boards	25,575	33,000
Other Local Funds	0	152,093
Boards of County Commissioners	996,356	996,356
	<u>1,021,931</u>	<u>1,181,449</u>
PREMIUM REVENUE	483,051	1,053,146
OTHER INCOME	454,222	210,275
PATIENT FEES	8,805,629	8,553,817
TOTAL REVENUES	<u>\$ 24,122,287</u>	<u>\$ 24,277,092</u>

See independent auditor's report.

	RESIDENTIAL				COMMUNITY SUPPORT							Total Expenses	
	Residential Level 4	Short-Term Residential Treatment	Room & Board w/ Supervision Level 1	Room & Board w/ Supervision Level 2	Total	Drop-In Center	Outreach	Supported Employment	Non-ADM	Total	FACT & Subsidies		Administrative
PERSONNEL SERVICES													
Salaries	\$ 21,668	\$ 99,356	\$ 1,390,289	\$ 285,244	\$ 1,796,557	\$ 14,183	\$ 118,169	\$ 31,993	\$ 127,245	\$ 291,590	\$ 481,017	\$ 1,671,509	\$ 11,041,996
Fringe Benefits	20,024	15,570	453,331	73,509	562,434	1,910	43,356	11,131	67,039	123,436	140,291	640,960	3,501,209
Total Personnel Services	41,692	114,926	1,843,620	358,753	2,358,991	16,093	161,525	43,124	194,284	415,026	621,308	2,312,469	14,543,205
EXPENSES													
Building Occupancy	85,068	21,357	366,951	51,012	524,388	1,027	15,352	3,705	9,529	29,613	32,864	334,029	2,472,393
Professional Services	3	25,102	74,041	17,930	117,076	1	3,999	2,803	342,054	348,857	1,208	263,688	1,736,638
Travel	0	10	4,106	4,860	8,976	0	3,210	394	206	3,810	1,056	7,357	164,264
Equipment Costs	3,422	3,260	60,637	13,736	81,055	1,443	3,002	809	43,634	48,888	43,627	302,401	738,014
Food Services	52	36,454	314,618	106,388	457,512	0	282	118	326	726	2,016	8,120	995,687
Medical and Pharmacy	2	5,756	204,023	17,849	227,630	1	875	22	0	898	333	1,160	624,716
Insurance	1,427	5,135	47,308	20,400	74,270	90	1,137	438	24,788	26,453	10,916	29,270	337,181
Interest	0	7,584	7,609	1,442	16,635	0	225	142	23	390	0	5,255	342,790
Operating Supplies and Expenses	7,821	9,487	85,374	42,956	145,638	753	11,052	2,044	25,227	39,076	19,459	265,386	1,010,434
Other	0	0	0	0	0	0	0	0	0	0	246,376	0	246,376
Bad Debt Expense	0	0	0	9	9	0	0	0	7,600	7,600	0	0	710,516
Total Operating Expenses	97,795	114,145	1,164,667	276,582	1,653,189	3,315	39,134	10,475	453,387	506,311	357,855	1,216,666	9,379,009
TOTAL EXPENSES	\$ 139,487	\$ 229,071	\$ 3,008,287	\$ 635,335	\$ 4,012,180	\$ 19,408	\$ 200,659	\$ 53,599	\$ 647,671	\$ 921,337	\$ 979,163	\$ 3,529,135	\$ 23,922,214

See independent auditor's report.

	RESIDENTIAL				COMMUNITY SUPPORT					FACT & Subsidies	Administrative	Total Expenses	
	Residential Level 4	Short-Term Residential Treatment	Room & Board w/ Supervision Level 1	Room & Board w/ Supervision Level 2	Total	Drop-In Center	Outreach	Supported Employment	Non-ADM				Total
PERSONNEL SERVICES													
Salaries	\$ 34,965	\$ 100,386	\$ 1,158,507	\$ 264,960	\$ 1,558,818	\$ 13,238	\$ 175,021	\$ 27,568	\$ 216,793	\$ 432,620	\$ 517,914	\$ 1,755,825	\$ 11,133,708
Fringe Benefits	19,687	27,211	318,047	77,376	442,321	1,570	55,384	9,034	81,466	147,454	127,371	643,481	3,232,804
Total Personnel Services	54,652	127,597	1,476,554	342,336	2,001,139	14,808	230,405	36,602	298,259	580,074	645,285	2,399,306	14,366,512
EXPENSES													
Building Occupancy	85,962	22,636	189,326	60,559	358,483	12,971	23,710	4,333	13,985	54,999	42,636	372,311	2,498,903
Professional Services	39	37,808	141,597	55,263	234,707	0	177,064	3,146	347,645	527,855	923	304,202	2,158,628
Travel	0	0	828	4,324	5,152	948	6,185	930	5,179	13,242	799	8,686	178,647
Equipment Costs	3,905	4,167	28,941	13,921	50,934	801	4,226	1,094	40,282	46,403	43,996	304,963	752,855
Food Services	72	82,171	260,092	117,729	460,064	13	856	88	0	957	147	10,730	991,749
Medical and Pharmacy	125	10,995	309,775	9,648	330,543	0	1,664	18	0	1,682	1,409	500	743,274
Insurance	1,666	6,084	51,752	22,778	82,280	178	2,004	428	27,666	30,276	12,385	29,882	385,054
Interest	0	10,034	6,755	2,886	19,675	0	263	134	21	418	1,722	6,758	356,368
Operating Supplies and Expenses	11,112	11,590	77,450	46,315	146,467	2,352	16,041	1,814	33,496	53,703	16,371	257,358	1,072,669
Other	0	0	0	0	0	0	0	0	0	0	257,117	0	257,117
Bad Debt Expense	505	0	640	0	1,145	0	0	0	0	0	0	0	489,513
Total Operating Expenses	103,386	185,485	1,067,156	333,423	1,689,450	17,263	232,013	11,985	468,274	729,535	377,505	1,295,390	9,884,777
TOTAL EXPENSES	\$ 158,038	\$ 313,082	\$ 2,543,710	\$ 675,759	\$ 3,690,589	\$ 32,071	\$ 462,418	\$ 48,587	\$ 766,533	\$ 1,309,609	\$ 1,022,790	\$ 3,694,696	\$ 24,251,289

See independent auditor's report.

**APALACHEE CENTER, INC.
SCHEDULE OF UNALLOWABLE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

These expenses, although "unallowable" for state participation and matching purposes, are considered by management as ordinary and necessary operating expenses of the Corporation.

Description	Unallowable Expenses
Bad debts FAC 65E-14.017(4)(b)	\$ 710,513
Excess salaries FAC 65E-14.017(4)(f)3.	137,263
Fringe benefits FAC 65E-14.017(4)(f)4.b.	113,200
Contributions and donations FAC 65E-14.017(4)(h)	4,015
Depreciation of assets acquired with federal and state funds FAC 65E-14.017(4)(i).	20,507
Entertainment costs FAC 65E-14.017(4)(l)	8,858
Board member honorariums FAC 65E-14.017(4)(w)	11,200
Professional service costs FAC 65E-14.017(4)(cc)	118,000
Unallowable auto and expense allowance FAC 65E-14.017(4)(rr)	<u>9,114</u>
 Total Unallowable Expenses	 <u>\$ 1,132,670</u>

See independent auditor's report.

**APALACHEE CENTER, INC.
SCHEDULE OF STATE EARNINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Total Expenses	\$ 23,922,214
Less Other State and Federal Funds:	
Child & Adult Care Food	(85,724)
IDP Drug Program - Line of Credit	(97,528)
Florida Assertive Community Treatment (FACT)	(999,995)
FACT Enhancement Services	(241,874)
Department of Health	(189,259)
Primary Care Integration Project & Health Information Technology Adoption	(551,046)
Net Medicaid Earnings	(1,527,678)
Less Non-Match SAMH Funds	(7,629,917)
Less Unallowable Costs	<u>(1,132,670)</u>
Total Allowable Expenses	<u>\$ 11,466,523</u>
Maximum Available Earnings (75% of Allowable)	<u>\$ 8,599,892</u>
Amount of State Funds Requiring Match	<u>\$ 3,562,111</u>
Amount Due to Department of Children & Families	<u>\$ 0</u>

See independent auditor's report.

STATE-DESIGNATED SAMH COST CENTERS

STATE SAMH-FUNDED COST CENTERS

ADULT AND CHILDREN'S MENTAL HEALTH

FUNDING SOURCES & REVENUES	Room & Board	Room & Board	FACT		Supported	CCST	CCST	Program	Total	Non-State-	Total	Non-SAMH	Total
	w/Supervision Level 1	w/Supervision Level 2	FACT	Enhancement	Employment	Individual	Group	Total		Funded SAMH Cost Centers		Cost Center	Funding
STATE SAMH FUNDING													
Contract #BH1W03	\$ 4,079,877	\$ 634,538	\$ 0	\$ 0	\$ 41,944	\$ 1,415,772	\$ 14,745	\$ 9,915,296	\$ 10,614,036	\$ 0	\$ 10,614,036	\$ 0	\$ 10,614,036
Contract #BH102	0	0	999,995	241,874	0	0	0	1,241,869	1,241,869	0	1,241,869	0	1,241,869
Contract #CH109	0	0	0	0	0	228,699	795	600,910	675,519	0	675,519	0	675,519
TOTAL STATE SAMH FUNDING	4,079,877	634,538	999,995	241,874	41,944	1,644,471	15,540	11,758,075	12,531,424	0	12,531,424	0	12,531,424
OTHER GOVERNMENT FUNDING													
Other State Agency Funding	0	0	0	0	0	104,468	85,724	274,983	281,070	0	281,070	0	281,070
Medicaid	0	0	0	0	0	538,240	909,153	1,527,678	1,527,678	0	1,527,678	0	1,527,678
Local Government	0	0	0	0	0	92,207	0	814,002	1,088,563	0	1,088,563	0	1,088,563
Federal Grants and Contracts	0	0	0	0	0	0	0	0	0	0	0	742,296	742,296
TOTAL OTHER GOVERNMENT FUNDING	0	0	0	0	0	734,915	994,877	2,616,663	2,897,311	0	2,897,311	742,296	3,639,607
OTHER REVENUES													
First & Second Party Payments	0	133,323	0	0	0	155,568	2,996	372,394	372,394	528,112	900,506	0	900,506
Third Party Payments (Other Than Medicare)	0	0	0	0	0	1,896,619	612,253	2,826,234	2,836,963	1,304,131	4,141,094	0	4,141,094
Medicare	0	0	0	0	0	0	0	316,413	316,413	2,336,357	2,652,770	0	2,652,770
Other	0	0	0	0	0	0	0	0	0	0	0	256,886	256,886
TOTAL OTHER REVENUES	0	133,323	0	0	0	2,052,187	615,249	3,515,041	3,525,770	4,168,600	7,694,370	256,886	7,951,256
TOTAL FUNDING	\$ 4,079,877	\$ 767,861	\$ 999,995	\$ 241,874	\$ 41,944	\$ 4,431,573	\$ 1,625,666	\$ 17,889,779	\$ 18,954,505	\$ 4,168,600	\$ 23,123,105	\$ 999,182	\$ 24,122,287

See independent auditor's report.

STATE-DESIGNATED SAMH COST CENTERS													
STATE SAMH-FUNDED COST CENTERS													
ADULT AND CHILDREN'S MENTAL HEALTH													
EXPENSE CATEGORIES	Rooms & Board w/Supervision	FACT		Supported	CCST	CCST	Program	Non-State- Funded SAMH		Non-SAMH		Total Expenses	
	Level 3	FACT	Enhancement	Employment	Individual	Group	Total	Total	Cost Centers	Total	Cost Center		Administration
PERSONNEL EXPENSES													
Salaries	\$ 285,244	\$ 481,017	\$ 0	\$ 31,993	\$ 2,050,336	\$ 360,394	\$ 7,022,571	\$ 7,592,638	\$ 1,630,604	\$ 9,243,242	\$ 127,245	\$ 8,571,509	\$ 11,041,996
Fringe Benefits	73,509	140,291	0	11,131	796,013	126,774	2,234,643	2,361,277	403,933	2,793,210	67,039	640,960	3,501,209
TOTAL PERSONNEL EXPENSES	358,753	621,308	0	43,124	2,846,349	487,168	9,257,214	9,953,915	2,034,537	12,036,452	194,284	2,312,469	14,541,205
OTHER EXPENSES													
Building Occupancy	51,012	32,864	0	3,705	413,885	195,432	1,503,092	1,663,213	465,622	2,128,835	9,529	314,029	2,472,393
Professional Services	17,930	1,208	0	2,803	90,710	1,145	690,386	780,931	349,965	1,130,896	342,054	263,681	1,736,638
Travel	4,860	1,056	0	394	107,012	3,297	153,879	155,339	1,362	156,701	206	7,357	164,264
Equipment	13,730	43,627	0	809	64,653	58,625	304,470	325,722	66,257	391,979	43,634	302,401	738,014
Food Services	106,388	2,016	0	118	5,393	93,030	744,159	798,803	188,436	987,241	328	8,170	995,687
Medical and Pharmacy	17,849	333	0	22	1,528	417	449,313	471,729	151,827	623,556	0	1,160	624,716
Insurance	20,400	10,916	0	438	36,891	18,720	198,961	218,386	64,737	283,123	24,788	29,270	337,181
Interest Paid	1,442	0	0	142	7,884	3,482	98,556	109,300	178,412	337,512	23	5,255	342,790
Operating Supplies & Expenses	42,956	19,459	0	2,044	138,539	48,990	500,507	543,155	176,666	719,821	25,227	265,386	1,010,434
Other	0	0	246,376	0	31,646	24,482	381,747	426,241	523,051	949,292	7,800	0	956,891
TOTAL OTHER EXPENSES	276,582	111,479	246,376	10,475	891,539	447,620	5,025,058	5,542,621	2,166,335	7,708,956	453,387	1,216,666	9,379,009
TOTAL PERSONNEL & OTHER EXPENSES	635,335	732,787	246,376	53,599	3,744,888	934,788	14,282,272	15,524,536	4,220,872	19,745,408	647,671	3,529,135	23,922,214
DISTRIBUTED INDIRECT													
ADMINISTRATIVE COSTS	113,188	174,992	0	9,029	629,622	166,448	2,528,781	2,751,954	745,270	3,497,224	31,911	(3,529,135)	0
TOTAL ACTUAL OPERATING EXPENSES	748,523	907,779	246,376	62,628	4,374,510	1,101,236	16,811,053	18,276,490	4,966,142	23,242,632	679,582	0	23,922,214
LESS UNALLOWABLE COSTS	10,312	9,022	0	751	88,074	40,746	478,807	542,181	582,892	1,125,073	7,597	0	1,132,670
OPERATING EXPENSES	\$ 738,211	\$ 898,757	\$ 246,376	\$ 61,877	\$ 4,286,436	\$ 1,060,490	\$ 16,332,246	\$ 17,734,309	\$ 4,383,250	\$ 22,117,559	\$ 671,985	\$ 0	\$ 22,789,544

See independent auditor's report.

**APALACHEE CENTER, INC.
SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Program	Cost Center	State Contracted Rate	Total Units of Service Provided	Total Units of Service Paid for by Third Party Contracts, Local Government or Other State Agencies	Maximum Number of Units Eligible for Payment by Department	Amount Paid for Services by Department	Maximum \$ Value of Units Eligible for Payment by Department	Amount Owed to Department
Adult Mental Health	Crisis Stabilization Unit	\$291.24	8,760	1,609	7,151	\$1,913,447	\$1,988,004	\$0
Adult Mental Health	Forensic Room & Board w/ Supervision Level I	\$291.24	11,680	0	11,680	\$3,401,683	\$3,401,683	\$0
Adult Mental Health	Forensic Room & Board w/ Supervision Level I	\$238.13	2,848	0	2,848	\$678,194	\$678,194	\$0
Adult Mental Health	Forensic Room & Board w/ Supervision Level II	\$189.00	730	0	730	\$137,970	\$137,970	\$0
Adult Mental Health	Short-Term Residential Treatment Facility	\$350.00	1,460	0	1,460	\$511,000	\$511,000	\$0
Children's Mental Health	Crisis Stabilization Unit	\$291.24	1,460	325	1,135	\$318,908	\$330,557	\$0
Adult Substance Abuse	Substance Abuse Detox	\$204.94	5,110	1,091	4,019	\$670,377	\$823,654	\$0
Total Amount Owed to Department								\$0

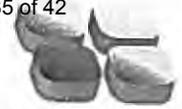
See independent auditor's report.

**APALACHEE CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>CFDA / CSFA Number</u>	<u>Contract Number</u>	<u>Expended or Fee for Service Agreement</u>
FEDERAL:			
U.S. Department of Health and Human Services			
Direct Program			
Primary Care Integration Project	93.243	1H795M059764-01	\$ 551,046
Pass-through from State of Florida Department of Children & Families:			
Temporary Assistance for Needy Families	93.558	BHW03	123,636
Community Mental Health Block Grant	93.958	BHW03	430,045
Substance Abuse Prevention and Treatment Block Grant	93.959	BHW03	300,257
Projects for Assistance in Transition from Homelessness	93.150	BHW03	126,459
Social Services Block Grant	93.667	BHW03	14,120
Temporary Assistance for Needy Families	93.558	CHI09	10,009
Community Mental Health Block Grant	93.958	CHI09	33,713
Substance Abuse Prevention and Treatment Block Grant	93.959	CHI09	31,931
Social Services Block Grant	93.667	CHI09	5,706
Florida Assertive Community Treatment Program			
Community Mental Health Block Grant	93.958	BHI02	101,871
Pass-through from Big Bend Community Based Care:			
Temporary Assistance for Needy Families	93.558	BHW03	47,169
Community Mental Health Block Grant	93.958	BHW03	130,333
Substance Abuse Prevention and Treatment Block Grant	93.959	BHW03	96,540
Projects for Assistance in Transition from Homelessness	93.150	BHW03	39,917
Social Services Block Grant	93.667	BHW03	4,449
Temporary Assistance for Needy Families	93.558	CHI09	4,899
Community Mental Health Block Grant	93.958	CHI09	10,600
Substance Abuse Prevention and Treatment Block Grant	93.959	CHI09	10,219
Social Services Block Grant	93.667	CHI09	1,854
Florida Assertive Community Treatment Program			
Community Mental Health Block Grant	93.958	BHI02	33,957
U.S. Department of Agriculture			
Pass-through from State of Florida Department of Elder Affairs:			
Child and Adult Care Food Program	10.558	Y2029/Y3029	85,724
TOTAL FEDERAL AWARDS			\$ 2,194,454
STATE:			
State of Florida Department of Children & Families			
Direct Programs - Substance Abuse and Mental Health			
Baker Act - Child Services	60.001	BHW03	\$ 180,779
Baker Act - Adult Services	60.006	BHW03	613,758
Indigent Psychiatric Outpatient Services	60.039	BHW03	17,414
Children's Mental Health Community Support Services	60.055	BHW03	22,376
Adult Mental Health Emergency Stabilization	60.061	BHW03	925,563
Community Forensic Beds	60.114	BHW03	3,279,592
Baker Act - Child Services	60.001	CHI09	15,813
Baker Act - Adult Services	60.006	CHI09	100,506
Indigent Psychiatric Outpatient Services	60.039	CHI09	1,992
Adult Mental Health Emergency Stabilization	60.061	CHI09	57,687
Community Forensic Beds	60.114	CHI09	26,199
Pass-through Big Bend Community Based Care:			
Baker Act - Child Services	60.001	BHW03	60,260
Baker Act - Adult Services	60.006	BHW03	204,586
Indigent Psychiatric Outpatient Services	60.039	BHW03	6,338
Children's Mental Health Community Support Services	60.055	BHW03	7,077
Adult Mental Health Emergency Stabilization	60.061	BHW03	308,521
Community Forensic Beds	60.114	BHW03	1,344,951
Baker Act - Child Services	60.001	CHI09	5,271
Baker Act - Adult Services	60.006	CHI09	33,502
Indigent Psychiatric Outpatient Services	60.039	CHI09	725
Adult Mental Health Emergency Stabilization	60.061	CHI09	19,229
Community Forensic Beds	60.114	CHI09	8,265
TOTAL STATE FINANCIAL ASSISTANCE			\$ 7,240,404

NOTES:

- (1) The Schedule of Expenditures of Federal Awards and State Financial Assistance was prepared on the accrual basis of accounting.
- (2) There were no federal awards expended in non-cash assistance.
- (3) Transfers to a subrecipient in the amount of \$301,151 are included in the total expenditures reported for the Primary Integration Project Grant, CFDA 93.243.



**INDEPENDENT AUDITOR'S 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***

Board of Directors
Apalachee Center, Inc.
Tallahassee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Apalachee Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and 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 October 16, 2013.

Internal Control Over Financial Reporting

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

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

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

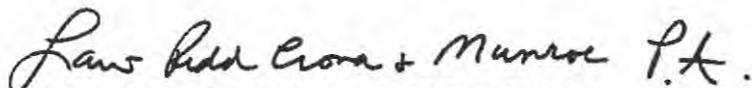
Board of Directors
Apalachee Center, Inc.
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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LAW, REDD, CRONA & MUNROE, P.A.
Tallahassee, Florida
October 16, 2013



Law, Redd, Crona & Munroe, P.A.
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133
AND FLORIDA SINGLE AUDIT ACT**

Board of Directors
Apalachee Center, Inc.
Tallahassee, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Apalachee Center, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State of Florida, Executive Office of the Governor Compliance Supplement* that could have a direct and material effect on each of Apalachee Center, Inc.'s major federal programs and state projects for the year ended June 30, 2013. Apalachee Center, Inc.'s major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedules 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 and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Apalachee Center, Inc.'s major federal programs and state projects 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Florida Single Audit Act*. Those standards, OMB Circular A-133 and the *Florida Single Audit Act* 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 or state project occurred. An audit includes examining, on a test basis, evidence about Apalachee Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Board of Directors
Apalachee Center, Inc.
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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Apalachee Center, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Apalachee 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 and state projects for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Apalachee 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 Apalachee 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 and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *Florida Single Audit Act*, 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 Apalachee 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 or state project 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 or state project 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 or state project 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.

Board of Directors
Apalachee Center, Inc.
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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 OMB Circular A-133 and the *Florida Single Audit Act*. Accordingly, this report is not suitable for any other purpose.

Law Redd Crona & Munroe P.A.

LAW, REDD, CRONA & MUNROE, P.A.

Tallahassee, Florida

October 16, 2013

APALACHEE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weaknesses? None

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weaknesses? None

Type of auditor's report issued on compliance for major programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? No

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program</u>
		U.S. Department of Health and Human Services Pass-through from State of Florida Department of Children & Families
	93.958	Community Mental Health Block Grant
	93.959	Substance Abuse Prevention and Treatment Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Section III – Federal Award Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with *U.S. Office of Management and Budget Circular A-133*.

See independent auditor's report.

**APALACHEE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Significant deficiency(ies) identified?	No
Significant deficiency(ies) identified considered to be material weaknesses?	None
Noncompliance material to financial statements noted?	No

State Financial Assistance Projects

Internal control over major projects:	
Significant deficiency(ies) identified?	No
Significant deficiency(ies) identified considered to be material weaknesses?	None
Type of auditor's report issued on compliance for major projects?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General, Chapter 10.656?	No

Management Letter: None issued: there were no items related to state financial assistance that are required to be reported.

Identification of major projects:	<u>CSFA Number</u>	<u>Name of State Project</u>
		State of Florida Department of Children & Families Substance Abuse and Mental Health Program
	60.006	Baker Act - Adult Services
	60.061	Adult Mental Health Emergency Stabilization
	60.114	Community Forensic Beds

Dollar threshold used to distinguish between Type A and Type B projects:	\$300,000
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Section II -- Financial Statement Findings

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Section III -- State Financial Assistance Findings and Questioned Costs

We noted no matters related to state financial assistance that are required to be reported in accordance with *Rules of the Auditor General, Chapter 10.656*.

See independent auditor's report.

**APALACHEE CENTER, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Programs – None

State Financial Assistance Projects – None



Integrated Health Delivery System Summary

Neighborhood Medical Center, Inc. (NMC) has developed the Integrated Health Delivery System, which is based on the provision of preventative screenings, primary care, mental health and chronic disease management. Neighborhood Medical Center, Inc. has formed collaborative partnerships with existing entities to address the gap in specialty care services in Leon County and the surrounding areas. Neighborhood Medical Center is currently providing primary healthcare services, limited chronic disease management and mental health services. NMC would like to expand our services to include additional specialty care and preventative screenings listed below.

Preventative Screenings:

- Mammograms
- Colonoscopies
- Advanced fecal occult blood testing
- Cancer screenings (cervical and prostate)
- Preconception education
- Prenatal care

Primary Healthcare services include:

- Complete physical examination
- Health maintenance examination
- Management of chronic diseases (diabetes, hypertension, heart disease, HIV/AIDS, cholesterol and diabetes)
- Immunizations
- Treatment and referral for additional treatment of transmittable diseases

Current Specialty Care services include:

- Dental
- Vision screenings and glasses
- Gynecology
- Orthopedics
- Cardiology (through referral only)
- Diabetes Management
- Podiatry (through referral only)

Chronic Disease Management Center Services include:

- Endocrinology-treatment for diabetes and thyroid conditions
- Gastroenterology-colonoscopy and endoscopy examinations
- Infectious Disease-treatment related to HIV/AIDS
- Podiatry-treatment for diabetic neuropathy and other conditions of the feet

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A United Way Agency



- Optometry-eye exams and glasses
- Medication Management-pharmacologic intervention and maintenance for chronic disease processes
- Non-invasive Cardiovascular Treatment-stress tests and EKGs
- Dental-extractions, fillings, cleanings and sealants
- Pulmonary-pulmonary function testing

The Chronic Disease Management Center will be the product of community partners joining Neighborhood Medical Center to meet the community's needs through the Transition Team. The Transition Team consists of the following community partners:

Tallahassee Memorial HealthCare	Will provide radiologist and cardiologist for the CDMC
TMH Transition Center	Will provide access to telehealth services
Apalachee Center	Will serve as a direct referral provider for mental health case management and psychiatric ARNP
FAMU Center for Health Equity	Will provide PharmD to assist with medication management and health education
Capital Medical Society (We Care)	Will serve as direct referral base to decrease waiting list for patients who require specialty services
Big Bend Cares	Will provide additional services for HIV/AIDS patients
Bond Community Health Center	Will provide chiropractic, ophthalmology and podiatry services by referrals from NMC
Florida Blue	Will provide outreach and patient education about the Affordable Care Act and other healthcare services. Will also offer wellness services for NMC patients
FSU College of Medicine	Will provide doctors for NMC Evening Clinic and Havana Satellite Site
Gadsden County Health Department	Will provide WIC and Nutritional education services to NMC patients
United Way	Will provide a clinical space to provide primary care, specialty care and mental health services to the homeless population in the Westgate Community
Leon County Schools	Will provide opportunities for health fairs, outreach and education to the students and families of Leon Count Schools
Leon County Board of County Commissioners	Will provide continued insight into the community's needs and also provide technical assistance to NMC through the transition period

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