The Institute for Family Health and Affiliates

Consolidated Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

December 31, 2016 and 2015

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Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Institute for Family Health and Affiliates (the "Institute"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Institute for Family Health and Affiliates as of December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position and activities and changes in net assets and consolidated schedule of functional expenses on pages 27 through 32 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 September 18, 2017 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
September 18, 2017

The Institute for Family Health and Affiliates

Consolidated Statements of Financial Position

	December 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 7,947,020	$ 7,422,750
Restricted cash	-	981,217
Patient services receivable, net of allowances of $11,657,864 and $5,500,000	15,408,846	12,376,715
Grants and contracts receivable	7,200,695	9,095,271
Deposits and other receivables, net of allowance of $365,500 in 2016 and 2015	1,164,408	1,565,125
Prepaid and other current assets	1,249,173	1,340,200
Hospital service contracts receivable	525,000	393,750
Total Current Assets	33,495,142	33,175,028
Goodwill	2,998,806	2,998,806
Other long-term assets	375,844	672,969
Assets limited as to use	93,797	93,797
Loans and interest receivable	23,036,660	22,690,772
Property and equipment, net	66,111,404	66,430,696
	$ 126,111,653	$ 126,062,068
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 6,840,324	$ 8,288,575
Accrued compensation and benefits	3,193,476	2,781,737
Current portion of capital lease obligation	468,537	122,926
Current portion of long-term debt, net	1,631,529	1,227,379
Due to third-party payors	592,412	407,155
Refundable advances - state and other	1,648,108	2,129,031
Total Current Liabilities	14,374,386	14,956,803
Deferred rent liability	1,590,100	1,176,220
Other long-term liabilities	381,132	696,649
Capital lease obligation, net of current portion	1,135,315	277,405
Long-term debt, net of current portion	54,604,666	53,806,780
Total Liabilities	72,085,599	70,913,857
Net Assets		
Unrestricted	53,081,695	54,140,347
Temporarily restricted	944,359	1,007,864
Total Net Assets	54,026,054	55,148,211
	$ 126,111,653	$ 126,062,068

See notes to consolidated financial statements

The Institute for Family Health and Affiliates

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended December 31,	
	2016	2015
OPERATING REVENUE		
Net patient service revenue	$ 79,713,778	$ 76,304,654
Provision for bad debts	(8,172,081)	(7,125,923)
Patient services revenue, less provision for bad debts	71,541,697	69,178,731
Capitation revenue	6,386,475	5,312,461
Grants and contracts	33,601,376	29,480,563
Hospital service contracts	5,008,332	5,015,289
Net assets released from restrictions	1,233,505	1,309,645
Meaningful use incentives	478,125	841,500
Interest income	462,245	478,662
Other	844,387	1,893,753
Total Revenue	119,556,142	113,510,604
OPERATING EXPENSE		
Salaries and benefits	88,667,744	84,922,549
Other than personnel services	27,475,916	25,039,441
Interest expense	1,928,898	1,537,587
Total Expenses	118,072,558	111,499,577
Operating Income before Depreciation and Amortization	1,483,584	2,011,027
Depreciation and amortization	2,826,299	2,477,757
Loss from Operations	(1,342,715)	(466,730)
NON-OPERATING REVENUE		
Grants and contracts for construction projects	284,063	579,454
Net assets released from restrictions	-	151,379
Change in Unrestricted Net Assets	(1,058,652)	264,103
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,170,000	1,210,000
Net assets released from restrictions	(1,233,505)	(1,461,024)
Change in Temporarily Restricted Net Assets	(63,505)	(251,024)
Change in Net Assets	(1,122,157)	13,079
NET ASSETS		
Beginning of year	55,148,211	55,135,132
End of year	$ 54,026,054	$ 55,148,211

See notes to consolidated financial statements

The Institute for Family Health and Affiliates

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,122,157)	$ 13,079
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	2,826,299	2,477,757
Amortization of debt issuance costs	309,678	161,218
Deferred rent	413,880	453,656
Loss on disposal of property and equipment	94,499	-
Provision for bad debts	8,172,081	7,125,923
Change in operating assets and liabilities		
Patient services receivable	(11,204,212)	(6,799,000)
Grants and contracts receivable	1,894,576	692,793
Deposits and other receivables	400,717	(620,272)
Prepaid expenses and other current assets	91,027	390,613
Hospital service contracts receivable	(131,250)	262,500
Other long-term assets	297,125	(409,969)
Accounts payable and accrued expenses	(1,448,251)	1,323,680
Accrued compensation and benefits	411,739	(858,070)
Due to third party payors	185,257	(381,531)
Other long-term liabilities	(315,517)	409,969
Refundable advances - state and other	(480,923)	1,466,499
Net Cash from Operating Activities	394,568	5,708,845
CASH FLOWS FROM INVESTING ACTIVITIES		
Accrued interest on loan receivable	(345,888)	(345,888)
Purchase of property and equipment	(1,092,902)	(16,173,353)
Restricted cash	981,217	-
Net Cash from Investing Activities	(457,573)	(16,519,241)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on long-term debt	(6,908,866)	(370,183)
Proceeds from long-term debt	7,957,039	11,618,527
Principal payments on capital lease obligation	(305,083)	(862,099)
Increase in debt issuance costs	(155,815)	(207,846)
Net Cash from Financing Activities	587,275	10,178,399
Change in Cash and Cash Equivalents	524,270	(631,997)
CASH AND CASH EQUIVALENTS		
Beginning of year	7,422,750	8,054,747
End of year	$ 7,947,020	$ 7,422,750
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 1,619,220	$ 1,390,530
Non-cash investing and financing activities:		
Purchase of equipment under capital leases	1,508,604	-
Property and equipment additions included in accounts payable and accrued expenses	-	230,277

See notes to consolidated financial statements

1. Organization

The Institute for Family Health (the "Center") is a New York not-for-profit corporation that provides medical, mental health, dental and other healthcare related services through the development and operation of family practice centers located in Manhattan, Bronx, Dutchess and Ulster Counties in New York and provides medical training in New York City and Kingston, New York and other health research programs. The accompanying consolidated financial statements include the Center and the following entities (collectively, the "Institute"). All intercompany transactions and account balances have been eliminated.

- The Mid-Hudson Family Health Institute Foundation d/b/a Institute for Family Health Foundation, Inc. (the "Mid-Hudson Foundation"), is a New York not-for-profit corporation incorporated for the purpose of advancing the objectives of the Center by developing financial support from sources not otherwise available.

- The IFH Foundation is a New York not-for-profit corporation that was incorporated to help facilitate the Center in receiving funds as part of a financing using the New Markets Tax Credit as the qualified active low-income community business (Note 8).

- IFH Properties, LLC (“IFH Properties”) is a single member limited liability company that was formed in Delaware in February 2012. IFH Properties was created to build and own the Family Health Center of Harlem using funds from the New Markets Tax Credit as the qualified active low-income community business borrower (Note 8). IFH Foundation is the sole member of IFH Properties.

- Family Health Center of New Paltz Properties, LLC (“FHCNPP”) is a single member limited liability company that was formed in Delaware in April 2014. FHCNPP was created to own and operate the facility located at 279 Main Street, New Paltz, New York. The Center is the sole member of FHCNPP. On December 1, 2016, FHCNPP transferred the ownership of the facility to the Center in conjunction with the refinancing of the debt (Note 8).

Tax Exempt Status

The Center, Mid-Hudson Foundation, and the IFH Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

IFH Properties and FHCNPP are single member limited liability companies which are effectively exempt from income taxes because they are disregarded entities separate from their sole members, which are themselves exempt under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Institute's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Resources are classified for accounting and reporting purposes into net asset classes according to donor imposed restrictions. Unrestricted net assets are those whose use is not subject to any donor imposed restrictions. Temporarily restricted net assets are those resulting from contributions and other inflows of assets whose use by the Institute is limited by donor imposed stipulations that will be met either by the passage of time or that can be fulfilled and removed by actions of the Institute pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other restrictions. Permanently restricted net assets are donor restricted gifts that must be maintained permanently by the Institute to provide present and future income for operations. At December 31, 2016 and 2015, there were no permanently restricted net assets.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions include contractual allowances and allowances for uncollectible receivables and the allocation of expenses to functional classifications. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Institute follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs relate to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

Cash and cash equivalents include certain investments with maturity dates of three months or less at the time of purchase. Cash and cash equivalents do not include cash and investments whose use is limited and restricted cash

Restricted Cash

Restricted cash consists of cash received as part of the New Markets Tax Credit financing that was used to pay accrued liabilities associated with property additions as well as interest and other fees. The restricted cash bank account is controlled by TD Bank (Note 8).

Patient Services Receivable and Concentration of Credit Risk

The collection of receivables from third-party payors and patients is the Institute's primary 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 payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient services receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Institute estimates doubtful accounts based on historical bad debts, factors related to specific payors' ability to pay and current economic trends. The Institute writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

The Institute has established estimates, based on information presently available, of amounts due to third-party payors for adjustments to current and prior years' payments and payment rates. Such amounts are included in due to third party payors in the accompanying consolidated statements of financial position at December 31, 2016 and 2015.

Property and Equipment

Property and equipment is carried at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from 5 to 40 years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful life of the improvement or the term of the lease ranging from 5 to 39 years.

The Institute capitalizes construction, insurance and other costs during the period of construction. Depreciation is recorded when construction is substantially complete and the assets are placed in service.

The Institute capitalizes property and equipment purchased with federal funds and depreciates those assets over their estimated useful lives. According to federal regulations, any property and equipment obtained through federal funds are subject to lien by the federal government. As long as the Institute maintains its tax-exempt status, or so long as the equipment is used for its intended purpose, the Institute is not required to reimburse the federal government or return those assets. If the stated requirements are not met, the Institute would be obligated to the federal government in an amount equal to the fair value of the property and equipment.

2. Summary of Significant Accounting Policies *(continued)*

Impairment of Long-lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Institute records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. The Institute does not believe that any material impairment currently exists related to its long-lived assets.

Asset Retirement Obligations

The Institute accounts for Asset Retirement Obligations ("ARO") in accordance with U.S. GAAP, which defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation, does not defer recognition of a liability. The fair value of the ARO is recorded on a discounted basis and accreted over time for the change in fair value. Management has determined that there are no ARO liabilities that are required to be reported at December 31, 2016 and 2015.

Debt Issuance Costs

In 2016, the Institute adopted new U.S. GAAP guidance for the presentation of debt issuance costs and related amortization. Debt issuance costs are now reported on the consolidated statement of financial position as a direct reduction from the face amount of the debt. Previously, such costs were shown as deferred financing cost. The debt issuance costs are being amortized on a method which approximates the interest method over the term of the debt. The 2015 amounts have been reclassified as deductions from debt. Amortization of these costs for the years ended December 31, 2016 and 2015 was $309,678 and $161,218 Unamortized mortgage costs and commitment fees in the amount of $2,334,261 and $2,489,789 have been deducted from the carrying amount of the associated debt liability at December 31, 2016 and 2015. The Institute reflects amortization of debt issuance costs as interest expense, in accordance with the new guidance. This change had no effect on previously reported earnings.

Goodwill

The Institute follows U.S. GAAP guidance on goodwill impairment testing which allows an entity to first assess qualitative factors to determine whether it is more likely than not that goodwill may be impaired. Under this guidance, qualitative factors are assessed at least annually, or more frequently, if events or changes in circumstances indicate that the carrying value of the reporting unit is less than its carrying amount. If the Institute's qualitative assessment indicates that goodwill may be impaired, the Institute will estimate the fair value of the reporting unit based on one or more of the following valuation techniques; (1) income; (2) discounted cash flows, or; (3) market approach. If such fair value estimate is less than the carrying value of goodwill, an impairment loss is recognized. The Institute concluded that goodwill was not impaired during the years ended December 31, 2016 and 2015.

2. Summary of Significant Accounting Policies *(continued)*

Deferred Rent Liability

The Center has entered into several operating lease agreements, some of which contain provisions for future rent increases, rent free periods or periods in which rent payments are reduced. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is recorded as a change in the deferred rent liability, which is included in the consolidated statements of financial position.

Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Self-pay revenue is recorded at published charges with charitable care deducted to arrive at gross self-pay patient revenue, less contractual allowances to arrive at net self-pay revenue.

Capitation Revenue

The Center has agreements with certain health maintenance organizations (“HMO”) to provide medical services to subscribing participants. Under these agreements, the Center receives monthly capitation payments based on the number of participants of each HMO assigned to the Center, regardless of services actually performed by the Center.

Charity Care

The Center is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Center renders services to patients who are financially unable to pay for medical care. The Center provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Sliding fee discount eligibility is established based on limited or no insurance coverage, income compared to published poverty levels and family size, as well as other factors. Because the Center does not pursue collection of amounts determined to qualify as sliding fee discount, they are not reported as revenue. The Center maintains records to identify and monitor the level of sliding fee discount it provides. Sliding fee discount is measured based on the Center’s estimated direct and indirect costs of providing uninsured services.

Grants and Contracts

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when 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.

In-Kind Grants

Donated vaccines are recognized at fair value in grants and contracts and other than personnel services in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies *(continued)*

Meaningful Use Incentives

The American Recovery and Reinvestment Act of 2009 ("ARRA") amended the Social Security Act to establish a one-time incentive payment 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 will be received based on a transitional schedule.

Assets Limited as to Use

Assets limited as to use include assets held by trustees under loan agreements for debt service funds and interest reserve funds. Assets limited to use are held in cash and cash equivalents and are reported as long-term in the accompanying consolidated statements of financial position as their use is anticipated to occur after one year.

Professional and Similar Liabilities

The Institute presents insurance claim liabilities and related recoveries on a gross basis. Any estimated insurance recovery is reflected as a receivable on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible accounts. Professional and workers compensation liability claims are covered through commercial insurance. Management believes the Institute is adequately covered by insurance and that the outcome of any pending litigation will have no material adverse effect on the Institute's financial position.

Self-Insured Health Insurance

The Institute is self-insured for health insurance for non-union employees. The Institute records a liability for medical claims that have been incurred but not paid for employees covered by the self-insured plan. For the years ended December 31, 2016 and 2015, the Institute has recorded a liability for claims incurred but not paid of approximately $750,000 and $760,000, which is recorded in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

Functional Allocations of Expenses

Expenses in Note 15 are charged to program services, general and administrative or fundraising/development based on a combination of specific identification and allocation by management.

Operating Indicator

The consolidated statements of activities and changes in net assets has as the operating indicator "Loss from operations." Changes in unrestricted net assets which are excluded from the operating indicator, consistent with industry practice, include grants and contracts for construction projects. Peripheral or incidental transactions are reported as non-operating revenue and expenses.

2. Summary of Significant Accounting Policies *(continued)*

Accounting for Uncertainty in Income Taxes

The Institute recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Institute had no uncertain tax positions that would require recognition and/or disclosure in the consolidated financial statements. The Institute is no longer subject to examination by the applicable taxing jurisdictions for periods prior to December 31, 2013.

Reclassifications

Certain reclassifications have been made to the 2015 balances previously reported in order to conform to the 2016 presentation. These reclassifications have had no effect on net assets.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through September 18, 2017, which is the date the consolidated financial statements were available to be issued.

3. Patient Services Receivable and Revenue

The Institute recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual and formula-driven rates for the services rendered. Patient service revenue for the years ended December 31, 2016 and 2015, net of contractual allowances and discounts (but before the provision for bad debts), recognized from these major payor sources based on primary insurance designation, is as follows:

	2016	2015
Third-Party	$ 76,278,035	$ 70,461,147
Self-Pay	3,435,743	5,843,507
	$ 79,713,778	$ 76,304,654

Deductibles and copayments under third-party payment programs within the third-party payor amounts above are the patient's responsibility and the Institute considers these amounts in its determination of the provision for bad debts based on collection experience. Accounts receivable is also reduced by an allowance for doubtful accounts.

In evaluating the collectability of accounts receivable, the Institute analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

3. Patient Services Receivable and Revenue *(continued)*

The Institute's allowance for doubtful accounts totaled approximately $11.7 million and $5.5 million at December 31, 2016 and 2015. The Institute did not experience significant changes in write-off trends and did not change its charity care policy in 2016 and 2015.

Patient services receivable, net, consists of the following at December 31:

	2016	2015
Medicaid	$ 4,522,649	$ 4,348,081
Medicaid managed care	4,472,976	4,300,376
Medicare	2,142,386	1,774,612
Private insurance	3,677,508	1,760,492
Self-pay	9,452,529	4,721,866
Pharmacy	270,354	175,885
	24,538,402	17,081,312
Less allowance for doubtful accounts	(11,657,864)	(5,500,000)
	12,880,538	11,581,312
NYS Uncompensated Care	2,528,308	795,403
	$ 15,408,846	$ 12,376,715

For the years ended December 31, the mix of patient services revenue, net is as follows:

Medicaid	46%	44%
Medicaid managed care	27%	24%
Medicare	10%	10%
Private insurance	13%	14%
Self-pay	4%	8%
	100%	100%

Based on the cost of patient services, charity care of $9,044,487 and $5,425,231 and community benefit of $9,084,404 and $4,221,289 for the years ended December 31, 2016 and 2015 was estimated by management and are not reflected in these consolidated financial statements.

4. Loan and Interest Receivable

In connection with the New Markets Tax Credit transaction (Note 8), on March 2, 2012, the Center loaned 481 IFH Investment Fund, LLC, an unrelated entity, $21,351,110. The loan is secured by a first lien on the membership interest of PCDC Empire State Health Opportunities Fund III, LLC and CHHS Subsidiary CDE 5, LLC (collectively the "Sub Community Development Entities"). The loan is comprised of a Senior Note in the amount of $2,151,110, a Junior Note A in the amount of $15,000,000 and a Junior Note B in the amount of $4,200,000. The notes are interest only until 2019 and carry an interest accrual rate of 2.15%, payable at the rate of .53% through June 30, 2019. Accrued interest in the amount of $1,685,550 and $1,339,662 at December 31, 2016 and 2015 is included in Loan and Interest receivable on the consolidated statements of financial position. The Senior Note in the amount of $2,151,110 is due June 30, 2019 and the accrued and unpaid interest will be added to principal balance of the Junior notes. Beginning October 2019, the Center will receive amortizing payments of accrued interest and principal quarterly in the amount of $235,631 for Junior Note A and $65,977 for Junior Note B with remaining outstanding principal and interest to be paid on March 31, 2042.

Cross Collateralization

As part of the loan agreement related to the New Markets Tax Credit, collateral for the Center's loan receivable from 481 IFH Investment Fund, LLC are the assets of the Sub Community Development Entities. The Sub Community Development Entities have used the funds received by 481 IFH Investment Fund, LLC to provide a loan to IFH Properties (a consolidated entity) to purchase and build the Family Health Center of Harlem. Accordingly, the loan payable to the Sub Community Development Entities (which constitute substantially all of the assets of the Sub Community Development Entities) serves as collateral for the loan receivable from 481 IFH Investment Fund, LLC. The consolidated financial statements do not include any adjustments that might result from a default by 481 IFH Investment Fund, LLC on the loan receivable.

5. Deposits and Other Receivables

Deposits and other receivables consist of the following at December 31:

	2016	2015
Meaningful Use Incentive Funding	$ 1,391,875	$ 913,750
Medical Home	-	629,159
Other	138,033	387,716
Less: allowance for doubtful accounts	(365,500)	(365,500)
	$ 1,164,408	$ 1,565,125

6. Property and Equipment

Property and equipment, net consists of the following at December 31:

	2016	2015
Land	$ 3,893,799	$ 3,893,799
Building and building improvements	57,849,856	58,241,518
Leasehold improvements	9,866,497	4,669,473
Furniture and fixtures	17,848,864	15,146,412
	89,459,016	81,951,202
Less accumulated depreciation and amortization	(23,485,952)	(21,358,218)
	65,973,064	60,592,984
Construction-in-progress	138,340	5,837,712
	$ 66,111,404	$ 66,430,696

Construction-in-progress is for various ongoing projects at the Center. The total estimated additional costs to complete these projects is approximately $500,000 and are expected to be completed in 2017.

No interest was capitalized during the years ended December 31, 2016 and 2015.

In the event of termination of the Department of Health and Human Services ("DHHS") grants, the DHHS reserves the right to require transfer of all property and equipment purchased with grant funds and/or grant-related income to the United States Public Health Service or third parties.

7. Line of Credit

On December 19, 2013, the Institute secured a revolving line of credit with Citibank in the amount of $5,000,000. The line of credit matures on August 31, 2018 and has a variable interest rate for each advance equal to LIBOR rate plus 2%. No amounts were drawn down on this line of credit and no balance is outstanding as of December 31, 2016 and 2015. The Institute did not meet the minimum debt service coverage requirement as of December 31, 2016. Subsequent to the year end a waiver was requested of and granted by the bank.

8. Long-Term Debt

At December 31, long-term debt consists of the following:

	2016	2015
Debt associated with the New Markets Tax Credit:		
TD Bank		
(a) IFH Loan Senior Note	$ 2,151,110	$ 2,151,110
Sub Community Development Entities		
(b) PCDC Empire State Health Opportunities Fund III LLC Loan (Senior Loan)	2,151,110	2,151,110
(c) PCDC Empire State Health Opportunities Fund III LLC Loan (Junior Loan)	17,238,786	17,238,786
(d) CHHS Subsidiary CDE5, LLC Loan (Junior Loan)	9,725,000	9,725,000
Other debt:		
(e)(1) Citibank Mortgage	8,387,499	8,718,418
(e)(2) Citibank Construction Loan	3,273,582	2,780,462
(e)(3) Citibank Equipment Loan	708,148	868,646
(e)(4) Citibank Loan	7,674,924	7,949,469
(e)(5) Citibank Loan - New Paltz	7,237,499	-
(f) Wells Fargo Loan	-	5,900,240
Car loan	22,798	40,707
	$ 58,570,456	$ 57,523,948
Unamortized debt issuance costs	(2,334,261)	(2,489,789)
Long-Term Debt, net	56,236,195	55,034,159
Less: amount due within one year	(1,631,529)	(1,227,379)
Amount due after one year	$ 54,604,666	$ 53,806,780

New Markets Tax Credit

On March 2, 2012, the Institute and IFH Properties entered into various debt agreements facilitated by the New Markets Tax Credit to fund the opening of the Family Health Center of Harlem, a 37,000 square foot health care facility located at 1824 Madison Avenue at 119th Street, New York, New York.

Items (a) through (d) relate to the debt agreements entered into by the Center and IFH Properties as a result of the New Markets Tax Credit.

Loans between the Center and TD Bank under the IFH Loan and Security Agreement

The Center entered into a loan agreement with TD Bank for $2,151,110. The loan is interest only until June 30, 2019 at an interest rate of 4.00%. The entire principal balance is due on June 30, 2019. In connection with loan, the Center is required to meet financial and debt reporting covenants. The Institute did not meet the minimum debt service coverage and a net profit requirement as of December 31, 2016. Subsequent to the year end a waiver was requested of and granted by the bank.

8. Long-Term Debt *(continued)*

The loan is collateralized by the HEAL Grant, the New York City Economic Development Corporation loan proceeds, $4 million under a supplemental pledge agreement and other rights under Section 3.1 of the IFH Loan and Security Agreement. The proceeds of the funds were loaned to 481 IFH Investment Fund, LLC, an entity unrelated to the Institute (Note 4).

Loans between IFH Properties and the Sub Community Development Entities under Senior and Junior Loan Agreements

The following loans were obtained by IFH Properties as the qualified low-income community business borrower from the Sub Community Development Entities to purchase and build the Family Health Center of Harlem:

a) IFH Properties entered into a loan agreement on March 2, 2012 with PCDC Empire State Health Opportunities Fund III LLC. The loan is interest only until June 30, 2019 at an interest rate of 1.01%. The entire principal balance is due on June 30, 2019.

b) IFH Properties entered into a second loan agreement on March 2, 2012 with PCDC Empire State Health Opportunities Fund III LLC. The loan is interest only until June 30, 2019. The loan has an interest rate of 1.01%. Beginning October 1, 2019 and quarterly thereafter, amortizing payments of $212,185 for accrued interest and principal is to be made, with all outstanding principal and interest due on the maturity date, March 31, 2042.

c) IFH Properties entered into a loan agreement on March 2, 2012 with CHHS Subsidiary CDE5, LLC. The loan is interest only until June 30, 2019. The loan has an interest rate of 1.01%. Beginning October 1, 2019 and quarterly thereafter, amortizing payments of $119,701 for accrued interest and principal is to be made, with all outstanding principal and interest due on the maturity date, March 31, 2042.

PCDC Empire State Health Opportunities Fund III LLC is managed by Primary Care Development Corporation (a Community Development Entity). CHHS Subsidiary CDE5, LLC is managed by Community Hospitality Health Care Services (a Community Developmental Entity).

Loans (b) through (d) are collateralized by the land and property of the Family Health Center of Harlem. Loans (c) and (d) are both subordinate to loan (b). In connection with loans (b) through (d), IFH Properties LLC is required to meet certain debt reporting covenants.

Other Debt

d) Citibank:

On December 19, 2013, the Center entered into the following loan agreements:

1) Mortgage note in the amount of $9,340,000 at an annual interest rate of 4.21% and provides for monthly principal and interest payments of $48,963 commencing in January 2014. The note matures on December 19, 2033. The proceeds from the note were used to repay loans in connection with the New Markets Tax Credit.

8. Long-Term Debt *(continued)*

2) Leasehold term note in the amount of $3,500,000 for the purpose of financing a renovation project at the Stevenson Family Health Center. The note has an annual interest rate of 2.89% and matures in June 2023. Beginning May 2016, the note requires monthly principal and interest payments of $46,073.

3) Equipment term note in the amount of $1,500,000 to finance equipment purchases by the Center for the Stevenson Family Health Center. The note has an annual interest rate of 2.89% and matures in December 2020. In January 2015, $868,646 was drawn down on the note and beginning February 2016, the note requires monthly principal and interest payments of $15,323.

4) On May 28, 2015, the Center entered into a mortgage note in the amount of $8,080,000 for purchase of the building located at 2006 Madison Avenue, New York, New York. The note has an the interest rate of 4.0% and provides for monthly principal and interest payments of $48,963 commencing July 1, 2015 until June 1, 2035. The mortgage note is secured by a first lien on the property.

5) On December 1, 2016, the Center entered into a loan in the amount of $7,237,500 for the property located at 279 Main Street, New Paltz, New York. The loan has a 20 year amortization and a 15 year term with a variable interest rate based on London interbank Offered Rate plus 4% until June 30, 2017 and then will convert to a fixed interest rate based on the bank's cost of the funds plus 3%. The monthly payment is approximately $30,156 (principal) plus the accrued interest. The majority of the proceeds of the loan were used to repay the Wells Fargo loan related to the purchase of a facility by FHCNPP (See (f) below). Title to the property was transferred into the Center's name as part of the closing.

e) On September 16, 2014, FHCNPP purchased a facility located at 279 Main Street, New Paltz, New York for approximately $9,600,000. As part of the sale, FHCNPP assumed the outstanding mortgage approximating $6,000,000 with Wells Fargo. The original mortgage was $6,128,000 with an interest rate of 6.30%, with interest only payments for the first 60 months and principal and interest for the next 60 months. The maturity date of the loan is September 1, 2017 with a balloon payment of $5,818,357 required at maturity. The balance on the loan was paid from the proceeds of a Citibank loan. (See (e) 5 above).

Future principal payments on long-term debt in each of the five years subsequent to December 31, 2016 and thereafter are as follows:

2017	$ 1,631,529
2018	1,671,655
2019	4,144,456
2020	5,009,251
2021	8,889,400
Thereafter	37,224,165
	$ 58,570,456

8. Long-Term Debt *(continued)*

The Institute incurred debt issuance costs with each long term debt arrangement reported above. Amortization is recorded over the term of each of the debt agreements. Debt issuance costs and accumulated amortization at December 31, are summarized as follows:

	2016	2015
Deferred debt issuance costs	$ 2,765,957	$ 2,812,592
Accumulated amortization	(431,696)	(322,803)
	$ 2,334,261	$ 2,489,789

Estimated amortization expense at December 31, 2016 for each of the five succeeding years is approximately $121,000.

9. Capital Lease Obligation

Equipment under capital lease consists of IT equipment for the Data Center with a combined capitalized cost of $2,775,476 and $1,348,263 for 2016 and 2015 and accumulated depreciation in the consolidated statements of financial position included $963,539 and $272,060 relating to these leased equipment. Depreciation expense reported in the consolidated statements of activities and changes in net assets includes $491,647 and $202,239 for the equipment under capital lease for 2016 and 2015. The leases include $1 purchase options at the end of the lease period. Future minimum lease payments for the years ending December 31, are as follows:

2017	$ 468,537
2018	475,188
2019	254,353
2020	285,978
2021	119,796
	$ 1,603,852

The imputed interest necessary to reduce the net minimum lease payments to present value is considered immaterial.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, consist of contributions received from the following organizations for specific programs and activities.

	2016			
	Balance December 31, 2015	2016 Additions	Net Assets Released from Restrictions	Balance December 31, 2016
Mary Helen Rowan - Capital Project	$ 125,000	$ -	$ (50,664)	$ 74,336
Robin Hood Foundation - Diabetes and Free Clinic Programs	854,977	1,135,000	(1,158,226)	831,751
Van Ameringen Foundation - Mental Health	21,215	-	(21,215)	-
Newmans Own Foundation	-	35,000	(3,400)	31,600
NYS Health Foundation	647	-	-	647
Cigna	6,025	-	-	6,025
	$ 1,007,864	$ 1,170,000	$ (1,233,505)	$ 944,359

	2015			
	Balance December 31, 2014	2015 Additions	Net Assets Released from Restrictions	Balance December 31, 2015
Mary Helen Rowan - Capital Project	$ 125,000	$ -	$ -	$ 125,000
Robin Hood Foundation - Diabetes and Free Clinic Programs	943,879	1,160,000	(1,248,902)	854,977
Robin Hood Foundation - Capital Grant	151,379	-	(151,379) *	-
Van Ameringen Foundation - Mental Health	31,958	50,000	(60,743)	21,215
NYS Health Foundation	647	-	-	647
Cigna	6,025	-	-	6,025
	$ 1,258,888	$ 1,210,000	$ (1,461,024)	$ 1,007,864

*Amount is reported as release of restriction under non-operating revenue in the 2015 consolidated statement of activities and changes in net assets.

11. Grants and Contracts Revenue

Grants and contracts revenue consists of the following for the years ended December 31:

	2016	2015
U.S. Department of Health and Human Services (DHHS):		
Health Resources and Services Administration:		
Consolidated Health Centers Program	$ 5,160,000	$ 4,433,370
Other various HRSA grants	2,143,988	1,874,150
ACA - Teaching Health Center Graduate Medical Education	4,471,029	5,049,362
Substance Abuse and Mental Health Services Administration:		
Suicide prevention	28,763	-
Primary and Behavioral Health Care Integration (PBHCI) Program	407,651	-
Center for Disease Control and Prevention (CDC):		
Bronx Health Reach	1,040,150	916,501
HITCH: Cancer Services Program	63,745	62,109
Care for the Homeless	781,632	755,586
NYC Department of Health and Mental Hygiene:		
Care Coordination Protocol for HIV Infected Persons	457,908	440,349
Immunization Grants	1,177,724	985,161
NYS Offices for Children and Family Services:		
Ulster County Healthy Start	981,855	1,003,517
Dutchess County Healthy Families	698,481	702,561
Dutchess Healthy Families MIECHV	332,520	47,736
NYS Department of Health (NYSDOH):		
Women, Infants and Children	1,052,288	1,027,146
Vital Access Program	86,513	656,913
Other various New York State Department of Health contracts	815,518	971,442
NYS Department of Health Aids Institute:		
Rebate	-	280,556
Mt. Sinai - NIH Genetic & DANY	224,883	249,195
Icahn School of Medicine at Mt. Sinai - PCORI	476,526	293,216
Center for Public Service Communications	-	70,821
New York State Department of Health Bureau of Maternal & Child Health:		
Maternal and Infant Community Health Collaboratives	272,657	351,876
Community Based Care Transition Program	1,227,238	1,474,498
School District contracts	235,030	171,520
Community Benefit Grants	1,362,535	1,362,535
School Based Health	327,815	-
Hospital Contracts	608,833	625,667
Hospital Medical Home Demonstration Program	-	456,333
Delivery System Reform Incentive Payment (DSRIP)	2,863,337	325,844
Partnerships to Improve Community Health	223,600	290,140
Maternal Infant Services Network - MICHC	-	66,527
Maternal Infant Services Network - IPA/Navigator	51,053	57,513
NYC Department of Social Services of the Human Resource Administration:		
Fedcap/Federal Employment and Guidance Services	2,275,288	2,113,700
Collaborations for Health Improvement in East Harlem - Project HEED	-	31,379
Rural Health Network	229,409	226,721
Public Health Solutions:		
Ryan White Part A	185,600	-
Family Planning Grant	144,366	-
Health Research Incorporated - Retention & Adherence Program	197,315	-

11. Grants and Contracts Revenue *(continued)*

	2016	2015
Catskill Hudson AHEC	$ -	$ 20,312
New York Metro AHEC	95,605	95,919
NYS Health Foundation - Diabetes Campaign	-	27,463
Single Stop USA/Veterans	269,839	314,929
University of Washington Collaborative Care Project	34,945	141,199
March of Dimes Foundation	3,000	4,681
Altman Foundation - Screening for Social Determinants	56,762	50,262
Turnaround for Children	-	55,330
Buck Foundation	101,927	81,047
New York Community Trust	-	50,361
United Hospital Fund	4,459	35,997
Pfizer	10,741	120,525
National Association of Community Health Centers - Community Health	77,563	172,142
Robin Hood Integrated Delivery Systems Grant	268,094	341,906
Ulster Greene ARC	70,000	70,000
Mt. Sinai Gift Fund	600,000	-
Wellcare	37,404	79,203
MDRC - Icon	125,346	-
NYC Economic Development Corporation	258,292	-
NYC Department of Health and Mental Hygiene	121,858	-
Research Foundation for Mental Hygiene	129,879	-
Other	730,412	445,343
	$ 33,601,376	$ 29,480,563

12. Pension Plans

Profit Sharing Plan

The Institute maintains a noncontributory profit-sharing plan which covers all employees meeting certain eligibility requirements. Contributions to the plan are based on a percent of salaries. The Board of Directors voted to make a contribution to the profit-sharing plan for both years ended December 31, 2016 and 2015 in the approximate amount of $500,000 each year which is recorded as part of accrued compensation and benefits.

Multiemployer Union Pension Plans

The Institute contributes to the 1199 SEIU Health Care Employees Pension Plan, Building Service 32BJ Pension Fund and Local 153 Pension Fund (the “Union Plans”), pursuant to collective bargaining agreements that cover its union represented employees. The risks of participating in a multiemployer plan are different from a single-employer plan in the following aspects:

a. Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

12. Pension Plans *(continued)*

Multiemployer Union Pension Plan (continued)

c. If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Institute's participation in the Union Plans for the years ended December 31, 2016 and 2015 is outlined in the table below. The "EIN Number" column provides the Employer Identification Number ("EIN"). The most recent Pension Protection Act ("PPA") zone status available in 2016 and 2015 is for the Union Plans' year-end at December 31, 2016 and 2015 or June 30, 2016 and 2015. The zone status is based on information that the Institute received from the Union Plans and is certified by the actuaries of the Union Plans. Among other factors, pension plans in the red zone are generally less than 65% funded, pension plans in the yellow zone are less than 80% funded, and pension plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates pension plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the Union Plans are subject.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status 2016	Pension Protection Act Zone Status 2015	FIR / RP Status Pending/Implemented	Contributions by the Center 2016	Contributions by the Center 2015	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
1199 SEIU Health Care Employees Pension Fund	13-3604862	001	Green as of 1/1/17	Green as of 1/1/16	No	$ 120,230	$ 119,086	No	1/31/2018
Building Service 32BJ Pension Fund	13-1879376	001	Red as of 7/1/16	Red as of 7/1/15	Yes	122,412	100,196	No	12/31/2019
Local 153 Pension Fund	13-2864289	001	Red as of 1/1/17	Red as of 1/1/16	Yes	115,201	98,646	No	12/31/2018

Form 5500 is not yet available for the Union Plans' year ended in 2016.

13. Commitments and Contingencies

Reimbursement

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

13. Commitments and Contingencies *(continued)*

Reimbursement (continued)

Medicaid and Medicare revenue is reimbursed to the Institute 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.

Healthcare Revenue and Regulatory Compliance

The healthcare industry is subject to numerous laws and regulations imposed by federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. In addition, certain cost reports, which serve as the basis for final settlement with the Medicare program, remain open for audit and settlement, as are New York State Medicaid cost reports for prior years.

Federal government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. Furthermore, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Accordingly, there is at least a reasonable possibility that recorded estimates for healthcare revenue will change in the near term and the change could be material to the Institute's financial condition, results of operations and cash flows.

The Institute is not aware of any allegations of noncompliance that could have a material adverse effect on the amounts recorded in the consolidated financial statements. In addition, management believes that the Institute has an effective compliance program in place to assist in complying with current laws and regulations and is in compliance, in all material respects, with applicable laws and regulations.

Collective Bargaining Agreement

During the years ended December 31, 2016 and 2015, approximately 27% and 26% of the Institute's employees were covered by various collective bargaining agreements. The agreements cover RN's, service, maintenance, technical, clerical and professional employees. A summary of the various labor contracts is as follows at December 31, 2016:

Union	% of Employees Covered	Contract Expiration date
1199 SEIU United Healthcare Workers East	15%	1/31/2018
Local 32BJ Service Employees International Union	0.5%	12/31/2019
Local 153 Office and Professional Employees International Union	9%	12/31/2018
Committee of Interns and Residents	2%	10/31/2019

13. Commitments and Contingencies *(continued)*

Malpractice

The Institute maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA") for its Community Health Center program activities. FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Institute 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 Institute maintains gap insurance for claims that are not covered by FTCA.

Lease from Related Party

The Institute leases office space from Family Life Ventures and is charged a pro rata percentage of the building's operating costs. For the years ended December 31, 2016 and 2015, the Institute incurred $1,007,006 and $1,101,249 in rental costs. Two members of management and one former employee of the Institute are owners of Family Life Ventures. There are no other transactions between the Institute and Family Life Ventures.

Lease between the Center and Affiliates

On March 2, 2012, IFH Properties purchased the property and building used for the Family Health Center of Harlem from the Center at cost for $3,774,016 and paid the Center development fees of $158,000.

On March 2, 2012, IFH Properties entered into an agreement to lease the Family Health Center of Harlem to the Center. The term of the lease is 30 years and payments of rent by the Center to IFH Properties began in January 2013. Occupancy expenses for years ended December 31, 2016 and 2015 were approximately $355,000.

On September 16, 2014, FHCNPP assumed from the seller the agreement to lease the Family Health Center New Paltz to the Center. The lease was terminated on December 1, 2016 upon the repayment of the mortgage loan associated with FHCNPP (see Note 8f). Occupancy expense for years ended December 31, 2016 and 2015 was approximately $479,000 and $608,000.

Occupancy expense between the Center and its affiliates is eliminated in consolidation.

13. Commitments and Contingencies *(continued)*

Operating Leases

At December 31, 2016, the Institute has commitments under noncancelable operating leases for real property rentals expiring on various dates through April 30, 2047. All facilities are operated under non-cancelable operating leases requiring future minimum payments as follows:

2017	$ 1,685,468
2018	1,664,491
2019	1,579,224
2020	1,582,752
2021	1,566,222
Thereafter	23,602,603
	$ 31,680,760

Occupancy expense for the years ended December 31, 2016 and 2015 amounted to $3,727,386 and $3,933,305, which includes rent paid to Family Life Ventures.

14. Concentration of Credit Risk

The Institute maintains its cash in bank deposit accounts which, at times, may exceed amount insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The Institute has not experienced any losses in such accounts. At December 31, 2016 and 2015, the Institute had approximately $7,153,000 and $7,164,000 in excess of FDIC insured limits.

15. Functional Expenses

The Institute provides primary care, mental health, dental care, social work and many other services to patients. Expenses related to providing these services as of December 31, 2016 and 2015 are as follows:

	2016	2015
Program services	$ 100,470,315	$ 93,132,039
General and administrative	19,664,875	18,350,653
Fundraising/development	763,667	2,494,642
	$ 120,898,857	$ 113,977,334

* * * * *

The Institute for Family Health and Affiliates

Supplemental Information

December 31, 2016 and 2015

The Institute for Family Health and Affiliates

Consolidating Schedule of Financial Position
December 31, 2016

	The Institute for Family Health	IFH Properties	Mid-Hudson Foundation	Family Health Center of New Paltz Properties, LLC	Eliminations	Consolidated Total
ASSETS						
Current Assets						
Cash and cash equivalents	$ 7,641,371	$ 185,132	$ 84,989	$ 35,528	$ -	$ 7,947,020
Patient services receivable, net of allowances of $11,657,864	15,408,846	-	-	-	-	15,408,846
Grants and contracts receivable	7,200,695	-	-	-	-	7,200,695
Deposits and other receivables, net of allowance of $365,500	1,155,565	-	-	8,843	-	1,164,408
Due from the Center	-	478,825	-	146,732	(625,557)	-
Prepaid and other current assets	1,241,473	-	1,104	7,700	(1,104)	1,249,173
Hospital service contracts receivable	525,000	-	-	-	-	525,000
Total Current Assets	33,172,950	663,957	86,093	198,803	(626,661)	33,495,142
Goodwill	2,998,806	-	-	-	-	2,998,806
Other long-term assets	375,844	-	-	-	-	375,844
Assets limited as to use	13,797	80,000	-	-	-	93,797
Investment in Family Health Center of New Paltz Properties, LLC	189,778	-	-	-	(189,778)	-
Loans and interest receivable	23,036,660	-	-	-	-	23,036,660
Property and equipment, net	42,336,358	23,775,046	-	-	-	66,111,404
	$ 102,124,193	$ 24,519,003	$ 86,093	$ 198,803	$ (816,439)	$ 126,111,653
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable and accrued expenses	$ 6,934,423	$ -	$ 50,000	$ 3,737	$ (147,836)	$ 6,840,324
Accrued compensation and benefits	3,193,476	-	-	-	-	3,193,476
Due to IFH Properties	478,825	-	-	-	(478,825)	-
Current portion of capital lease obligation	468,537	-	-	-	-	468,537
Current portion of long-term debt, net	1,631,529	-	-	-	-	1,631,529
Due to third-party payors	592,412	-	-	-	-	592,412
Refundable advances - state and other	1,648,108	-	-	-	-	1,648,108
Total Current Liabilities	14,947,310	-	50,000	3,737	(626,661)	14,374,386
Deferred rent liability	1,590,100	-	-	-	-	1,590,100
Other long-term liabilities	375,844	-	-	5,288	-	381,132
Capital lease obligation, net of current portion	1,135,315	-	-	-	-	1,135,315
Long-term debt, net of current portion	27,265,822	27,338,844	-	-	-	54,604,666
Total Liabilities	45,314,391	27,338,844	50,000	9,025	(626,661)	72,085,599
Net Assets						
Unrestricted	55,865,443	(2,819,841)	36,093	189,778	(189,778)	53,081,695
Temporarily restricted	944,359	-	-	-	-	944,359
Total Net Assets	56,809,802	(2,819,841)	36,093	189,778	(189,778)	54,026,054
	$ 102,124,193	$ 24,519,003	$ 86,093	$ 198,803	$ (816,439)	$ 126,111,653

See independent auditors' report

The Institute for Family Health and Affiliates

Consolidating Schedule of Financial Position
December 31, 2015

	The Institute for Family Health	IFH Properties	Mid-Hudson Foundation	Family Health Center of New Paltz Properties, LLC	Eliminations	Consolidated Total
ASSETS						
Current Assets						
Cash and cash equivalents	$ 7,042,919	$ 148,125	$ 10,612	$ 221,094	$ -	$ 7,422,750
Restricted Cash	-	981,217	-	-	-	981,217
Patient services receivable, net of allowances of $5,500,000	12,376,715	-	-	-	-	12,376,715
Grants and contracts receivable	9,095,271	-	-	-	-	9,095,271
Deposits and other receivables, net of allowance of $365,500	1,565,125	-	-	-	-	1,565,125
Due from the Center	-	478,825	-	3,503	(482,328)	-
Prepaid and other current assets	1,310,069	-	82,377	47,527	(99,773)	1,340,200
Hospital service contracts receivable	393,750	-	-	-	-	393,750
Total Current Assets	31,783,849	1,608,167	92,989	272,124	(582,101)	33,175,028
Goodwill	2,998,806	-	-	-	-	2,998,806
Other long-term assets	672,969	-	-	-	-	672,969
Assets limited as to use	13,797	80,000	-	-	-	93,797
Investment in Family Health Center of New Paltz Properties, LLC	3,841,861	-	-	-	(3,841,861)	-
Loans and interest receivable	22,690,772	-	-	-	-	22,690,772
Property and equipment, net	32,981,441	24,128,812	-	9,320,443	-	66,430,696
	$ 94,983,495	$ 25,816,979	$ 92,989	$ 9,592,567	$ (4,423,962)	$ 126,062,068
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable and accrued expenses	$ 8,086,184	$ 230,227	$ 50,000	$ 15,640	$ (93,476)	$ 8,288,575
Accrued compensation and benefits	2,781,737	-	-	-	-	2,781,737
Due to IFH Properties	478,825	-	-	-	(478,825)	-
Current portion of capital lease obligation	122,926	-	-	-	-	122,926
Current portion of long-term debt, net	1,147,675	-	-	79,704	-	1,227,379
Due to third-party payors	407,155	-	-	-	-	407,155
Refundable advances - state and other	2,129,031	-	-	-	-	2,129,031
Total Current Liabilities	15,153,533	230,227	50,000	95,344	(572,301)	14,956,803
Deferred rent liability	1,176,220	-	-	-	-	1,176,220
Other long-term liabilities	672,969	-	-	33,480	(9,800)	696,649
Capital lease obligation, net of current portion	277,405	-	-	-	-	277,405
Long-term debt, net of current portion	20,914,364	27,270,534	-	5,621,882	-	53,806,780
Total Liabilities	38,194,491	27,500,761	50,000	5,750,706	(582,101)	70,913,857
Net Assets						
Unrestricted	55,781,140	(1,683,782)	42,989	3,841,861	(3,841,861)	54,140,347
Temporarily restricted	1,007,864	-	-	-	-	1,007,864
Total Net Assets	56,789,004	(1,683,782)	42,989	3,841,861	(3,841,861)	55,148,211
	$ 94,983,495	$ 25,816,979	$ 92,989	$ 9,592,567	$ (4,423,962)	$ 126,062,068

See independent auditors' report

The Institute for Family Health and Affiliates

Consolidating Schedule of Activities and Changes in Net Assets
Year Ended December 31, 2016

	The Institute for Family Health	IFH Properties	Mid-Hudson Foundation	Family Health Center of New Paltz Properties, LLC	Eliminations	Consolidated Total
OPERATING REVENUE						
Net patient services revenue	$ 79,713,778	$ -	$ -	$ -	$ -	$ 79,713,778
Provision for bad debts	(8,172,081)	-	-	-	-	(8,172,081)
Patient services revenue, less provision for bad debts	71,541,697	-	-	-	-	71,541,697
Capitation revenue	6,386,475	-	-	-	-	6,386,475
Grants and contracts	33,601,376	-	-	-	-	33,601,376
Hospital service contracts	5,008,332	-	-	-	-	5,008,332
Net assets released from restrictions	1,233,505	-	-	-	-	1,233,505
Meaningful use incentives	478,125	-	-	-	-	478,125
Interest income	462,245	-	-	-	-	462,245
Other	1,098,762	355,000	1,104	522,550	(1,133,029)	844,387
Total Operating Revenue	119,810,517	355,000	1,104	522,550	(1,133,029)	119,556,142
OPERATING EXPENSE						
Salaries and benefits	88,667,744	-	-	-	-	88,667,744
Other than personnel services	28,137,958	323,949	8,000	139,038	(1,133,029)	27,475,916
Interest expense	994,653	361,287	-	572,958	-	1,928,898
Total Expenses	117,800,355	685,236	8,000	711,996	(1,133,029)	118,072,558
Operating Income (Loss) before Depreciation and Amortization	2,010,162	(330,236)	(6,896)	(189,446)	-	1,483,584
Depreciation and amortization	1,823,576	805,823	-	196,900	-	2,826,299
Income (Loss) from Operations	186,586	(1,136,059)	(6,896)	(386,346)	-	(1,342,715)
NON-OPERATING REVENUE						
Grants and contracts for construction projects	284,063	-	-	-	-	284,063
Change in Investment in Family Health Center of New Paltz Properties, LLC	(386,346)	-	-	-	386,346	-
Change in Unrestricted Net Assets	84,303	(1,136,059)	(6,896)	(386,346)	386,346	(1,058,652)
TEMPORARILY RESTRICTED NET ASSETS						
Contributions	1,170,000	-	-	-	-	1,170,000
Net assets released from restrictions	(1,233,505)	-	-	-	-	(1,233,505)
Change in Temporarily Restricted Net Assets	(63,505)	-	-	-	-	(63,505)
Change in Net Assets	20,798	(1,136,059)	(6,896)	(386,346)	386,346	(1,122,157)
NET ASSETS						
Beginning of year	56,789,004	(1,683,782)	42,989	3,841,861	(3,841,861)	55,148,211
Transfer to member	-	-	-	(3,265,737)	3,265,737	-
End of year	$ 56,809,802	$ (2,819,841)	$ 36,093	$ 189,778	$ (189,778)	$ 54,026,054

See independent auditors' report

The Institute for Family Health and Affiliates

Consolidating Schedule of Activities and Changes in Net Assets
Year Ended December 31, 2015

	The Institute for Family Health	IFH Properties	Mid-Hudson Foundation	Family Center of New Paltz Properties, LLC	Eliminations	Consolidated Total
OPERATING REVENUE						
Net patient services revenue	$ 76,304,654	$ -	$ -	$ -	$ -	$ 76,304,654
Provision for bad debts	(7,125,923)	-	-	-	-	(7,125,923)
Patient services revenue, less provision for bad debts	69,178,731	-	-	-	-	69,178,731
Capitation revenue	5,312,461	-	-	-	-	5,312,461
Grants and contracts	29,480,563	-	-	-	-	29,480,563
Hospital service contracts	5,015,289	-	-	-	-	5,015,289
Net assets released from restrictions	1,309,645	-	-	-	-	1,309,645
Meaningful use incentives	841,500	-	-	-	-	841,500
Interest income	478,662	-	-	-	-	478,662
Other	1,686,007	355,000	604	815,016	(962,874)	1,893,753
Total Operating Revenue	113,302,858	355,000	604	815,016	(962,874)	113,510,604
OPERATING EXPENSE						
Salaries and benefits	84,922,549	-	-	-	-	84,922,549
Other than personnel services	25,797,019	25,000	-	180,296	(962,874)	25,039,441
Interest expense	755,535	395,442	-	386,610	-	1,537,587
Total Expenses	111,475,103	420,442	-	566,906	(962,874)	111,499,577
Operating Income (Loss) before Depreciation and Amortization	1,827,755	(65,442)	604	248,110	-	2,011,027
Depreciation and amortization	1,538,147	724,821	-	214,789	-	2,477,757
Income (Loss) from Operations	289,608	(790,263)	604	33,321	-	(466,730)
NON-OPERATING REVENUE						
Grants and contracts for construction projects	579,454	-	-	-	-	579,454
Net assets released from restrictions	151,379	-	-	-	-	151,379
Change in Investment in Family Health Center of New Paltz Properties, LLC	33,321	-	-	-	(33,321)	-
Change in Unrestricted Net Assets	1,053,762	(790,263)	604	33,321	(33,321)	264,103
TEMPORARILY RESTRICTED NET ASSETS						
Contributions	1,210,000	-	-	-	-	1,210,000
Net assets released from restrictions	(1,461,024)	-	-	-	-	(1,461,024)
Change in Temporarily Restricted Net Assets	(251,024)	-	-	-	-	(251,024)
Change in Net Assets	802,738	(790,263)	604	33,321	(33,321)	13,079
NET ASSETS				-		
Beginning of year	55,986,266	(893,519)	42,385	3,808,540	(3,808,540)	55,135,132
End of year	$ 56,789,004	$ (1,683,782)	$ 42,989	$ 3,841,861	$ (3,841,861)	$ 55,148,211

See independent auditors' report

The Institute for Family Health and Affiliates

Consolidated Schedule of Functional Expenses
Year Ended December 31, 2016

	Program Services	General and Administrative	Fundraising/ Development	Total
Salaries and wages	$ 62,536,518	$ 11,302,557	$ 412,596	$ 74,251,671
Fringe benefits	12,141,474	2,194,393	80,105	14,415,972
Consultants and contractual services	4,365,777	1,944,493	41,249	6,351,519
Professional fees	-	653,322	-	653,322
Consumable supplies	9,518,833	493,503	35,510	10,047,846
Insurance	272,533	76,826	-	349,359
Occupancy	3,232,194	495,192	-	3,727,386
Telephone and utilities	1,422,086	543,942	20,960	1,986,988
Equipment rental and maintenance	732,891	265,142	11,525	1,009,558
Travel, conferences and meetings	1,227,473	153,599	66,185	1,447,257
Dues, subscriptions and publications	418,693	56,587	2,567	477,847
Printing and postage	191,205	-	56,519	247,724
Interest	1,638,241	290,657	-	1,928,898
Other	478,978	661,780	36,453	1,177,211
	98,176,896	19,131,993	763,669	118,072,558
Depreciation and amortization	2,293,415	532,884	-	2,826,299
	$ 100,470,311	$ 19,664,877	$ 763,669	$ 120,898,857

See independent auditors' report

The Institute for Family Health and Affiliates

Consolidated Schedule of Functional Expenses
Year Ended December 31, 2015

	Program Services	General and Administrative	Fundraising/ Development	Total
Salaries and wages	$ 56,166,924	$ 10,305,960	$ 1,720,844	$ 68,193,728
Fringe benefits	13,778,490	2,528,188	422,146	16,728,824
Consultants and contractual services	2,815,003	1,649,937	33,648	4,498,588
Professional fees	-	317,311	-	317,311
Consumable supplies	8,977,676	547,632	47,172	9,572,480
Insurance	296,109	101,914	-	398,023
Occupancy	3,427,443	453,901	51,961	3,933,305
Telephone and utilities	1,366,891	544,705	2,106	1,913,702
Equipment rental and maintenance	709,236	249,112	26,741	985,089
Travel, conferences and meetings	1,036,089	100,005	92,632	1,228,726
Dues, subscriptions and publications	362,487	-	137	362,624
Printing and postage	212,795	21,336	39,645	273,776
Interest	1,322,328	215,259	-	1,537,587
Other	657,122	841,082	57,610	1,555,814
	91,128,593	17,876,342	2,494,642	111,499,577
Depreciation and amortization	2,003,446	474,311	-	2,477,757
	$ 93,132,039	$ 18,350,653	$ 2,494,642	$ 113,977,334

See independent auditors' report

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Board of Directors
The Institute for Family Health

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 consolidated financial statements of The Institute for Family Health and Affiliates (the "Institute"), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Institute'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's consolidated 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*.

Institute's Response to Findings

The Institute's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The Institute's response was not subjected to the auditing procedures applied in the audit of the consolidated 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.

PKF O'Connor Davies, LLP

Harrison, New York
September 18, 2017

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

Board of Directors
The Institute for Family Health

Report on Compliance for Each Major Federal Program

We have audited The Institute for Family Health and Affiliates (the "Institute") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended December 31, 2016. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Institute 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 Institute'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
September 18, 2017

The Institute for Family Health and Affiliates

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Health Centers - Cluster				
Department of Health and Human Services Direct Programs				
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527		$ -	$ 4,492,213
Consolidated Health Center Program	93.224		-	2,216,223
Total Department of Health and Human Services Direct Programs			-	6,708,436
Department of Health and Human Services Pass-Through Programs				
Passed-through Care for Homeless Health Center Program	93.224	*Not available*	-	612,799
Total Health Centers - Cluster			-	7,321,235
Other Programs				
Department of Health and Human Services Direct Programs				
Racial and Ethnic Approaches to Community Health	93.304		-	931,911
Racial and Ethnic Approaches to Community Health financed solely by Public Prevention and Health Funds	93.738		-	108,240
Affordable Care Act - Teaching Health Center Graduate Medical Education Payments	93.530		-	4,471,030
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526		-	35,420
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		-	595,552
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		-	436,414
Total Department of Health and Human Services Direct Programs			-	6,578,567
Department of Health and Human Services Pass-Through Programs				
Passed-through Albert Einstein College of Medicine				
Preventive Medicine and Public Health Residency Training Program, Integrative Medicine Program, and National Center for Integrative Primary Healthcare	93.117	*Not available*	-	35,588
Passed-through Fedcap Rehabilitation Services Inc.				
Medical Assistance Program	93.778	*Not available*	-	176,793
Passed-through Maternal Infant Services Network				
Medical Assistance Program	93.778	*C028918*	-	2,977
Passed-through Healthlink NY				
Medical Assistance Program	93.778	*Not available*	-	6,600
Passed-through New York State Department of Health				
Medical Assistance Program	93.778	*C028974*	14,224	136,328
Passed-through Icahn School of Medicine at Mt. Sinai				
Blood Diseases and Resources Research	93.839	*0255-1731-4609*	-	5,889
Passed-through the City of New York Department of Health and Mental Hygiene				
Immunization Cooperative Agreements	93.268	*Not available*	-	1,177,724
Passed-through Fedcap Rehabilitation Services Inc.				
Temporary Assistance for Needy Families	93.558	*Not available*	-	360,195

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

The Institute for Family Health and Affiliates

Schedule of Expenditures of Federal Awards *(continued)*
Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Passed-through Care for Homeless				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	*Not available*	$ -	$ 168,833
Passed-through Fund for U.S. Department of Health and Human Services				
Partnerships to Improve Community Health	93.331	*80634*	-	223,600
Passed-through Health Research, Inc.				
HIV Care Formula Grants	93.917	*5165-01*	-	197,315
Passed-through Maternal Infant Services Network				
Children's Health Insurance Program	93.767	*C028918*	-	17,866
Passed-through New York State Office of Children and Family Services Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	*C-027660/C27884*	-	332,520
Passed-through Health Research Inc.				
Centers for Diseas Control and Prevention_Investigations and Technical Assistance/ Organized Approaches to Increase Colorectal Cancer Screening	93.283	*5428-01*	-	13,701
Passed-through Health Research Inc.				
Centers for Diseas Control and Prevention_Investigations and Technical Assistance/ Organized Approaches to Increase Colorectal Cancer Screening	93.800	*5428-01*	-	1,522
Passed-through Mt. Sinai School of Medicine				
Human Genome Research	93.172	*1U01HG007278-01*	-	199,189
Passed-through Mt. Sinai School of Medicine				
Minority Health and Health Disparities Research	93.307	*0255-0718-4609*	-	3,976
Passed-through New York State Department of Health				
Maternal and Child Health Services Block Grant to the States	93.994	*C022454*	-	29,543
Passed-through New York State Department of Health				
Maternal and Child Health Services Block Grant to the States	93.994	*C027540*	-	58,891
Passed-through Public Health Solutions				
HIV Emergency Relief Project Grants	93.914	*16-MCM-642*	-	185,600
Passed-through Public Health Solutions				
HIV Emergency Relief Project Grants	93.914	*10-MCM-642*	-	457,908
Total Department of Health and Human Services Pass-through			14,224	3,792,558
Total Department of Health and Human Services			14,224	17,692,360
Corporation for National and Community Service				
Passed-through National Association of Community Health Centers				
AmeriCorps	94.006	*10EDHMD002006*	-	77,563
United States Department of Agriculture				
Passed-through Fedcap Rehabilitation Services Inc.				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	*1-5219-8200-000-528*	-	332,628
Passed-through New York State Department of Health				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	*C025773*	-	3,418,223
Total United States Department of Agriculture			-	3,750,851
Total Expenditures of Federal Awards			$ 14,224	$ 21,520,774

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

The Institute for Family Health and Affiliates

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

NOTE 1 - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of The Institute for Family Health and Affiliates (the "Institute") under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Institute.

NOTE 2 - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - The Institute receives food checks as part of the Special Supplemental Nutrition Program for Women, Infants and Children, whereby the grantor generates the food checks to be distributed by the Institute to the recipients. In accordance with accounting principles generally accepted in the United State of America, the food checks are not included on the consolidated statements of activities and changes in net assets since they are agency transactions. The fair value of the checks received and transferred for the year ended December 31, 2016 were approximately $2,600,000.

NOTE 4 - For the year ended December 31, 2016 the Institute did not have any mortgage or loan funds that should be included in the federal expenditures presented in this Schedule.

NOTE 5 - The Institute has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The Institute for Family Health and Affiliates

Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	X	no
Significant deficiency(ies) identified?	X	yes	_____	none reported
Noncompliance material to financial statements noted?	_____	yes	X	no

Federal Awards

Internal control over major federal programs:				
Material weakness(es) identified?	_____	yes	X	no
Significant deficiency(ies) identified?	_____	yes	X	none reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	yes	X	no

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
93.224 & 93.527	Health Center Program Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
93.505	Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program
93.304	Racial and Ethnic Approaches to Community Health
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	yes	_____	no

Section II - Financial Statement Findings

Finding 2016-001

Criteria or specific requirement:

To ensure that receivable are properly allowanced at year end.

Condition:

The Center's process for valuing patient accounts receivable was assessed during the audit. An adjustment was proposed and recorded by management to increase the bad debt expense and allowance for doubtful accounts by $1,335,000.

Context:

Patient accounts receivable were not properly valued.

Effect:

Patient accounts receivables were overstated by approximately $1,335,000.

Cause:

Management's consideration of the collectability of accounts receivable did not incorporate historic collection trends which when considered, resulted in a higher allowance for doubtful accounts.

Recommendation:

We recommend management redesign the process used in accounting for bad debts and the allowance for doubtful accounts to improve the accuracy, completeness and valuation of patient account receivables. Management should assess patient receivables for collectability using methods that incorporate historical trends, aging data and assessments of specific patient accounts and payors.

Management's Corrective Action Plan:

See appendix A attached.

Section III- Federal Awards Findings and Questioned Costs

During our audit, we noted no instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV- Prior year findings

Finding 2015-001

Condition:

During our audit, one in-kind grant received at certain sites was not recorded in the financial records of the Institute. Subsequent to being discovered, an adjustment was proposed and accepted by management to properly record this transaction in the consolidated financial statements.

Current Status:

The condition has been corrected.

Finding 2015-002

Condition:

Internal controls over credit card transactions are not being complied with.

Current Status:

The condition has been corrected.

THE INSTITUTE FOR FAMILY HEALTH

Appendix A

The Institute for Family Health and Affiliates
Corrective Action Plan
For the Fiscal Year Ended December 31, 2016

Finding:	2016-001
Name of Contact Person:	Alan Woghin, VP of Finance/Chief Financial Officer
Corrective Action Plan:	Management's reevaluation of the process of valuing the patient accounts receivable has already been implemented and will be updated each year based on additional financial data.