Long Island FQHC, Inc.

Financial Statements and
Supplementary Information

December 31, 2016 and 2015

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Independent Auditors' Report

Board of Directors
Long Island FQHC, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Long Island FQHC, Inc. ("LIFQHC"), which comprise the balance sheet as of December 31, 2016 and 2015, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Long Island FQHC, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017 on our consideration of LIFQHC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LIFQHC's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

New York, New York
May 31, 2017

Long Island FQHC, Inc.

Balance Sheet
December 31, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 8,271,715	$ 11,365,755
Patient services receivable, net of allowance for doubtful accounts of $1,487,305 in 2016 and $1,090,765 in 2015	5,190,759	2,992,936
Third party receivables	2,785,285	580,617
Due from related party	-	207,181
Grant receivables	1,111,884	1,209,811
Prepaid expenses and other current assets	713,292	211,432
Total current assets	18,072,935	16,567,732
Property and Equipment, Net	3,198,174	1,928,187
Total assets	$ 21,271,109	$ 18,495,919
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,788,666	$ 1,220,856
Accrued compensation	761,400	406,675
Due to related party	1,487,401	-
Total liabilities	4,037,467	1,627,531
Net Assets		
Unrestricted	17,233,642	16,868,388
Total liabilities and net assets	$ 21,271,109	$ 18,495,919

See notes to financial statements

Long Island FQHC, Inc.

Statement of Operations and Changes in Net Assets
Years Ended December 31, 2016 and 2015

		2016		2015
Unrestricted Revenues				
Net patient service revenues	$	23,280,638	$	20,360,232
Provision for bad debts		(430,394)		(373,688)
Net patient service revenues less provision for bad debts		22,850,244		19,986,544
Grant revenue		8,925,997		7,788,737
Other revenue		1,103,982		224,609
Total revenues		32,880,223		27,999,890
Expenses				
Salaries and wages		12,328,352		5,978,040
Fringe benefits		2,698,809		1,354,651
Contract labor		8,186,097		10,358,692
Purchased services		3,841,761		3,578,848
Supplies		1,689,824		1,703,538
Rent and maintenance		1,809,299		1,985,563
Telephone		594,970		345,474
Depreciation		249,905		138,543
Other		1,115,952		729,551
Total expenses		32,514,969		26,172,900
Revenues in excess of expenses		365,254		1,826,990
Unrestricted Net Assets, Beginning		16,868,388		15,041,398
Unrestricted Net Assets, Ending	$	17,233,642	$	16,868,388

See notes to financial statements

Long Island FQHC, Inc.

Statement of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Increase in unrestricted net assets	$ 365,254	$ 1,826,990
Adjustments to reconcile increase in unrestricted net assets to net cash (used in) provided by operating activities:		
Provision for bad debts	430,394	373,688
Depreciation	249,905	138,543
Changes in assets and liabilities:		
Patient services receivable	(2,628,217)	(1,520,293)
Third party receivables	(2,204,668)	332,274
Grant receivables	97,927	(256,778)
Prepaid expenses and other current assets	(501,860)	(77,090)
Due from/to related party	1,694,582	122,449
Accounts payable and accrued expenses	567,810	(247,587)
Accrued compensation	354,725	77,300
Net cash (used in) provided by operating activities	(1,574,148)	769,496
Cash Flows used in Investing Activities		
Purchases of property and equipment	(1,519,892)	(945,332)
Net cash used in investing activities	(1,519,892)	(945,332)
Decrease in cash and cash equivalents	(3,094,040)	(175,836)
Cash and Cash Equivalents, Beginning	11,365,755	11,541,591
Cash and Cash Equivalents, Ending	$ 8,271,715	$ 11,365,755

See notes to financial statements

1. Organization

Long Island FQHC, Inc. ("LIFQHC") is an independent not-for-profit corporation formed on May 14, 2009 and established by the New York State Department of Health ("NYSDOH") on June 15, 2010, as a co-operator of four community health centers and a school-based clinic, previously operated solely by the Nassau Health Care Corporation ("NHCC"), in order to meet federal governance requirements and obtain designation from the Health Resources and Services Administration ("HRSA") as a public entity federally qualified health center ("FQHC") "Look Alike" organization. LIFQHC is licensed under Article 28 of the New York State public health law.

In August 2013, LIFQHC became the co-operator of a fifth community health center located in Freeport, New York.

NHCC is a public benefit corporation created for the purposes of acquiring the health facilities owned by Nassau County, New York ("County"), operating these facilities more efficiently than the County could, and competing with other health care providers in a rapidly changing health care marketplace.

HRSA recognizes two governance models through which the operations of a FQHC can be overseen: the *voluntary model* and the *public-entity model*. In the voluntary model, HRSA requires the governing entity to be a not-for-profit corporation with at least 51% of the directors on the board obtaining health care services from the FQHC. In the public entity model, HRSA permits health centers to be co-operated by a public entity, such as a public benefit corporation, in conjunction with an independent not-for-profit FQHC entity, again with at least 51% of the directors of the not-for-profit board obtaining care from the FQHC. In the public entity model, the public entity's board and the not-for-profit's FQHC operate under a Co-Applicant Agreement. The Co-Applicant Agreement delineates the rights and responsibilities of each governing board, consistent with the minimum governance requirements set forth by HRSA.

NHCC and LIFQHC executed a Co-Applicant Agreement. LIFQHC, through the Co-Applicant Agreement, was empowered to adopt health center policies, including those on the scope and availability of services, location and hours of services, and quality control; approve the annual budget (subject to limitations imposed by NHCC); approve the selection and dismissal of the Executive Director of the FQHC; approve the application for subsequent grants and FQHC recertification; evaluate FQHC activities; and implement a compliance program.

NHCC retained the right to establish personnel policies and procedures; provide staff to the current health centers; develop financial and operational management systems, and guide the long range strategic planning process. HRSA granted Lookalike status under the public entity model, and LIFQHC became operational in June 2010. In July of 2011, Long Island FQHC, Inc. received grantee status with HRSA as a sub-recipient of Hudson River Healthcare.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include money market funds. LIFQHC maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. LIFQHC has not experienced any losses in such accounts.

Patient Services Receivable, Net

Patient services receivable result from the health care services provided by LIFQHC. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators.

For receivables associated with services provided to patients who have third-party coverage, which includes patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, LIFQHC analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, LIFQHC records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable to pay the portion of their bill for which they are financially responsible. The difference between the billed rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. LIFQHC had not changed their financial assistance policy in 2016. LIFQHC does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Patient services receivable, net of allowance for doubtful accounts and contractual allowances and discounts, consists of the following:

	2016		
	Gross Receivables	**Contractual and Charitable Allowances**	**Net Patient Services Receivable**
Medicaid	$ 9,440,577	$ 7,492,527	$ 1,948,050
Medicare	1,604,532	540,447	1,064,085
Other third party	2,862,082	1,487,305	1,736,140
Self-pay	1,494,215	1,487,305	6,910
	$ 15,401,406	$ 11,007,584	4,755,185
NYS Medicaid Wrap, net			435,574
Total			$ 5,190,759
	2015		
Medicaid	$ 6,316,374	$ 5,253,490	$ 1,062,884
Medicare	623,411	234,395	389,016
Other third party	1,675,679	623,768	1,051,911
Self-pay	1,097,670	1,090765	6,905
	$ 9,713,134	$ 7,202,418	2,510,716
NYS Medicaid Wrap, net			482,220
Total			$ 2,992,936

Net Patient Service Revenues

Net patient service revenues 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 allowances deducted to arrive at net self-pay revenue. All other patient service revenues are recorded at published charges with contractual allowances deducted to arrive at patient services, net. Reimbursement rates are subject to revisions under the provisions of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred. Included in third party receivables is the outstanding uncompensated care pool payments.

Charity Care

LIFQHC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because LIFQHC does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

LIFQHC maintains records to identify and monitor the level of charity care that it provides. The costs associated with the charitable care services provided are estimated by applying the cost-to-charge ratio from the most recently filed cost report, to the amount of gross uncompensated charges for the patients receiving charity care. Total charity care costs were $1,607,726 and $1,346,386 for the years ended December 31, 2016 and 2015, respectively.

Property and Equipment, Net

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years using a half year convention. Maintenance, repairs and minor renewals are expense as incurred. Assets are written off when disposed of or fully depreciated as determined by management.

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. If long-lived assets are deemed impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds fair value. No impairments were recorded in 2016 and 2015.

Grant Revenue

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 changes to net assets, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired or expended. Cash received in excess of revenue recognized is recorded as refundable advances. Grant and contract receivables are reported at their outstanding unpaid balances. LIFQHC writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

Under an executed agreement between the NHCC and the County, LIFQHC received $4,000,000 in 2016 and $4,400,000 in 2015 in Article VI health center grants. The agreement was originally in effect until December 31, 2014. In 2015, the agreement was extended to March 31, 2015 and provided LIFQHC with an additional $1,250,000 in funding in the first quarter. Beginning in 2015, the agreement is negotiated on a quarterly basis. The Article VI health center grants are given to LIFQHC as part of the agreement to provide medical services such as HIV screening and Tuberculosis testing.

Revenues in Excess of Expenses

The statement of operations and changes in net assets includes the determination of revenues in excess of expenses. LIFQHC considers all of its health care and related activities to be part of normal operations and considers the caption revenues in excess of expenses to be its performance indicator.

Income Taxes

LIFQHC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code. LIFQHC accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2016 and 2015. LIFQHC does not perform any activities that would be subject to unrelated business income tax; therefore, it has not filed Form 990-T, Exempt Organization Business Income Tax Return.

New Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers (patients) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. LIFQHC will be required to retrospectively adopt the guidance in ASU No. 2014-09 for years beginning after December 15, 2018. The LIFQHC has not yet determined the impact of adoption of ASU No. 2014-09 on its financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in the balance sheet. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about, the nature of the lessee’s leasing activities. LIFQHC will be required to retrospectively adopt the guidance in ASU No. 2016-02 for years beginning after December 15, 2019. LIFQHC has not yet determined the impact of adoption of ASU No. 2016-02 on its financial statements.

Financial Statements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit’s liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. LIFQHC has not yet determined the impact of adoption of ASU No. 2016-14 on its financial statements.

3. Net Patient Service Revenues

LIFQHC recognizes patient service revenues associated with services provided to patients who have Medicaid, Medicare, Third Party Payor and Managed Care plans coverage on the basis of contractual rates for services rendered. For uninsured self pay patients that do not qualify for charity care, LIFQHC recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates if negotiated or provided by LIFQHC's policy. Charity care services are computed using a sliding fee scale based on patient income and family size. On the basis of historical experience, a significant portion of LIFQHC's uninsured patients will be unable or unwilling to pay for the services provided. Thus, LIFQHC records a provision for bad debts related to uninsured patients in the period the services are provided.

Patient service revenues, net of provision for bad debts and contractual allowances and discounts, consists of the following:

	2016		
	Gross Charges	Contractual and Charitable Allowances	Net Patient Service Revenues
Medicaid	$ 16,679,998	$ 8,785,326	$ 7,894,672
Medicare	1,260,680	1,187,384	73,296
Other third party	6,251,945	1,466,975	4,784,970
Self-pay	7,427,984	6,670,523	757,461
	$ 31,620,607	$ 18,110,208	13,510,399
Uncompensated care pools			2,330,038
NYS Medicaid Wrap			7,009,807
Total			$ 22,850,244

	2015		
Medicaid	$ 15,885,578	$ 8,825,924	$ 7,059,654
Medicare	970,195	1,281,801	(311,606)
Other third party	5,116,079	1,717,569	3,398,510
Self-pay	8,110,452	7,395,315	715,137
	$ 30,082,304	$ 19,220,609	10,861,695
Uncompensated care pools			1,979,980
NYS Medicaid Wrap			7,144,869
Total			$ 19,986,544

4. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following:

	2016	2015
Leasehold improvements	$ 2,360,286	$ 1,174,572
Furniture and fixtures	190,838	60,488
Movable equipment	339,408	257,080
Fixed equipment	267,700	267,700
Computer equipment	488,314	366,813
	3,646,546	2,126,653
Less accumulated depreciation	(448,372)	(198,466)
Total	$ 3,198,174	$ 1,928,187

5. Medical Malpractice Claims Coverage

Under the Services Agreement between NHCC and LIFQHC, NHCC provides professional liability insurance covering the medical services provided by staff to patients of LIFQHC. The insurance requirement is limited to claims arising from services rendered during the term of the Services Agreement, whether the claims arise while the Services Agreement is in effect or after it expires or is terminated by either Party. The professional liability insurance coverage provided by NHCC to LIFQHC is in the minimum amount of $1,000,000 per occurrence and $3,000,000 in the aggregate.

LIFQHC maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA") for services provided by employees. FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the LIFQHC 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 case approved by FTCA coverage.

6. Related Party Transactions

An agreement with NHCC provides for fees to be paid by LIFQHC to NHCC in exchange for staffing, ancillary and administrative services in connection with operating the health centers. The annual fee for these services is NHCC's cost. The due to/from related party in the balance sheet has no payment terms and is non-interest bearing. The expenses incurred for staffing were $8,186,097 and $10,358,692 for the years ended December 31, 2016 and 2015, respectively. The expenses incurred for ancillary and administrative services (including contract services disclosed in Note 8) were $3,857,220 and $3,578,848 for the years ended December 31, 2016 and 2015, respectively.

7. Contingencies

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient service previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on LIFQHC, if any, are not presently determinable.

8. Lease Commitments

At December 31, 2016, LIFQHC has commitments under noncancelable operating leases for real property rental, having initial terms of ten years and expiring on various dates. At December 31, 2016, approximate future minimum rental commitments under noncancelable operating leases are as follows:

Years ending December 31:	
2017	$ 1,580,479
2018	1,612,542
2019	1,648,357
2020	1,661,385
2021	1,597,078
Thereafter	3,433,185
Total	$ 11,533,026

Rent expense for the years ended December 31, 2016 and 2015 amounted to $1,310,703 and $1,286,743, respectively.

In 2015, LIFQHC extended its contract for services agreement initially dated November 1, 2010 with a company. The extension of the agreement is effective February 1, 2015 and expires on January 31, 2017. Under the agreement, the company shall provide various administrative services to LIFQHC for an annual fee not to exceed $2,350,000. Contracted services expense for the years ended December 31, 2016 and 2015 amounted to $1,222,026 and $1,316,116, respectively.

9. Functional Expenses

LIFQHC provides health care services to individuals within its geographic location. Expenses related to providing these services in 2016 and 2015 approximate the following:

	2016		
	Health care services	General and administrative	Total
Salaries and wages	$ 9,087,828	$ 3,240,524	$ 12,328,352
Fringe benefits	2,299,428	399,381	2,698,809
Contract labor	8,186,097	-	8,186,097
Purchased services	3,659,537	182,224	3,841,761
Supplies	1,689,824	-	1,689,824
Rent and maintenance	1,809,299	-	1,809,299
Telephone	594,970	-	594,970
Depreciation	249,905	-	249,905
Other	1,115,952	-	1,115,952
	$ 28,692,840	$ 3,822,129	32,514,969

	2015		
Salaries and wages	$ 3,577,522	$ 2,400,518	$ 5,978,040
Fringe benefits	1,011,130	343,521	1,354,651
Contract labor	10,358,692	-	10,358,692
Purchased services	3,409,095	169,753	3,578,848
Supplies	1,703,538	-	1,703,538
Rent and maintenance	1,985,563	-	1,985,563
Telephone	345,474	-	345,474
Depreciation	138,543	-	138,543
Other	729,551	-	729,551
	$ 23,259,108	$ 2,913,792	26,172,900

10. Concentration of Credit Risk

LIFQHC's primary operations and service area include most communities of Nassau County Long Island, New York. LIFQHC grants credit without collateral to its patients, who are insured under third-party payor arrangements, primarily with Medicare, Medicaid, and various commercial insurance companies. The significant concentrations of accounts receivable for services to patients include approximately 58% from Medicaid and 42% from other third party payors at December 31, 2016 (56% from Medicaid and 44% from other third party payors at December 31, 2015).

11. Subsequent Events

LIFQHC evaluated subsequent events for recognition or disclosure through May 31, 2017, the date the financial statements were available to be issued.

The Center receives funding under the Capital Restructuring Financing Program ("CRFP") from the New York State Department of Health. The contract period under the CRFP is April 1, 2015 through March 31, 2020. LIFQHC plans to use the funding to purchase two existing sites and certain renovations. To complete one of the two projects, the Center will enter into a $1,500,000 mortgage from Bethpage Federal Credit Union. The mortgage carries a 4.50% interest per annum and is for a 10 year term.

Long Island FQHC, Inc.

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 Agency	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:				
Affordable Care Act, Teaching Health Center Graduate Medical Education Payments Program	93.530	Not Applicable	Not Applicable	$ 2,263,694
Health Center Program Cluster:				
Consolidated Health Centers	93.224	Hudson River Health Care	H80CS00313-13-12	267,487
Total U.S. Department of Health and Human Services				2,531,181
U.S. Department of Agriculture:				
Special Supplemental Nutrition Program for Women, Infants, and Children Program	10.557	New York State Department of Health	DOH01-C30434GG-3450000	1,615,373
Total U.S. Department of Agriculture				1,615,373
Total expenditures of federal awards				$ 4,146,554

See notes to schedule of expenditures of federal awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Long Island FQHC, Inc. ("LIFQHC") under programs of the federal government for the year ended December 31, 2016.

The information in the 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"). Since the Schedule presents only a select portion of the operations of LIFQHC, it is not intended to and does not present the financial position, changes in net assets or cash flows of LIFQHC.

2. Summary of Significant Accounting Policies

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. Negative amounts shown, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented when available.

3. Indirect Cost Rate

LIFQHC has not elected to use the 10-percent de-minimus indirect cost rate allowed under the Uniform Guidance.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
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Board of Directors
Long Island FQHC, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Long Island FQHC, Inc. ("LIFQHC"), which comprise the balance sheet as of December 31, 2016, and the related statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LIFQHC's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LIFQHC's internal control. Accordingly, we do not express an opinion on the effectiveness of LIFQHC'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LIFQHC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Baker Tilly Virchow Krause, LLP

New York, New York
May 31, 2017

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

Board of Directors
Long Island FQHC, Inc.

Report on Compliance for Each Major Federal Program

We have audited Long Island FQHC, Inc.’s ("LIFQHC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on LIFQHC’s major federal program for the year ended December 31, 2016. LIFQHC’s major federal program is 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 federal statutes, 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 LIFQHC’s major federal program 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 LIFQHC’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 the major federal program. However, our audit does not provide a legal determination of LIFQHC’s compliance.

Opinion on Each Major Federal Program

In our opinion, LIFQHC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of LIFQHC 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 LIFQHC's internal control over compliance with the types of requirements that could have a direct and material effect on its 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 of its major federal programs 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 LIFQHC'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 a 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.

Baker Tilly Virchow Krause, LLP

New York, New York
May 31, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	______ yes	X no
• Significant deficiency(ies) identified?	______ yes	X 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(s)	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children

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

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Summary of Prior Year Audit Findings

No prior year findings.