

Long Island FQHC, Inc.

Financial Statements

December 31, 2021 and 2020

Long Island FQHC, Inc.

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Independent Auditors' Report

To the Board of Directors of
Long Island FQHC, Inc.

Opinion

We have audited the financial statements of Long Island FQHC, Inc. (LIFQHC), which comprise the balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LIFQHC as of December 31, 2021 and 2020, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LIFQHC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LIFQHC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LIFQHC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LIFQHC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Iselin, New Jersey
May 26, 2022

Long Island FQHC, Inc.

Balance Sheets

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 22,061,793	\$ 13,485,825
Patient services receivable, net (Note 2)	2,238,960	3,146,664
Grants receivable	3,333,294	4,602,005
NYS meaningful use receivable	-	144,500
Care management receivable	117,358	166,454
Value based contract receivable	300,000	524,883
Other receivable	312,778	218,892
Prepaid expenses and other current assets	646,052	609,915
Total current assets	29,010,235	22,899,138
Property and Equipment, Net (Note 4)	17,507,574	17,767,342
Security Deposits	58,379	58,379
Total assets	<u>\$ 46,576,188</u>	<u>\$ 40,724,859</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt (Note 5)	\$ 449,941	\$ 432,979
Accounts payable and accrued expenses	2,747,450	3,064,874
Accrued compensation	1,957,010	1,495,002
Refundable advances	6,846,171	5,861,302
Due to co-applicant and other party (Note 7 and Note 9)	246,940	785,233
Total current liabilities	12,247,512	11,639,390
Long-Term Debt, Net of Current Portion (Note 5)	4,851,146	5,301,088
Total liabilities	17,098,658	16,940,478
Net Assets		
Net assets without donor restrictions	29,477,530	23,784,381
Total liabilities and net assets	<u>\$ 46,576,188</u>	<u>\$ 40,724,859</u>

See notes to financial statements

Long Island FQHC, Inc.

Statements of Operations and Changes in Net Assets

Years Ended December 31, 2021 and 2020

	2021	2020
Revenues Without Donor Restrictions		
Net patient service revenues	\$ 25,164,928	\$ 20,409,313
Managed care medical home and bonuses	2,613,574	2,307,643
NYS meaningful use	119,000	28,051
Grant revenue:		
Article VI	5,000,000	5,000,000
WIC grant revenue	1,468,086	1,529,346
Residency grant revenue	3,494,394	3,265,585
Sub-recipient grant revenue	1,723,106	1,772,155
Paycheck Protection Program grant revenue	-	4,286,476
Other grant revenue	5,090,739	3,643,157
Other revenue:		
Delivery System Reform Incentive Payment (DSRIP) revenue	-	261,791
Care management revenue	2,732,434	2,853,355
Other revenue	666,332	726,049
Total revenues	48,072,593	46,082,921
Expenses		
Salaries and wages	21,147,001	19,438,449
Fringe benefits	5,105,609	4,650,061
Contract labor, providers	8,184,620	7,518,413
Professional services	2,370,384	2,054,958
Supplies	2,540,851	2,675,857
Laboratory, radiology	1,253,837	1,253,060
Travel, conference and meeting	75,253	93,357
Space costs	1,369,993	1,793,079
Equipment repairs/maintenance	226,863	162,640
Insurance	176,237	133,471
Telecommunications	480,785	445,698
Dues, licensing and subscriptions	437,571	581,951
Printing, publication and postage	129,633	116,298
Recruitment and public information	274,794	142,479
Interest	185,042	247,121
COVID-19 expenses	5,505	1,352,044
Other	155,860	282,691
Total expenses	44,119,838	42,941,627
Total operating income before depreciation	3,952,755	3,141,294
Depreciation	1,040,927	1,138,577
Revenues in excess of expenses	2,911,828	2,002,717
Capital Grant Revenue	2,100,000	2,461
Delivery System Reform Incentive Payment (DSRIP)	681,321	461,388
Increase in net assets without donor restrictions	5,693,149	2,466,566
Net Assets Without Donor Restrictions, Beginning	23,784,381	21,317,815
Net Assets Without Donor Restrictions, Ending	\$ 29,477,530	\$ 23,784,381

See notes to financial statements

Long Island FQHC, Inc.

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Increase in net assets without donor restrictions	\$ 5,693,149	\$ 2,466,566
Adjustments to reconcile increase in net assets without donor restrictions to net cash flows from operating activities:		
Depreciation	1,040,927	1,138,577
Capital grants	(2,781,321)	(219,009)
Changes in assets and liabilities:		
Patient services receivable	907,704	132,026
Other receivable	(93,886)	57,473
Delivery System Reform Incentive Payment (DSRIP) receivable	-	2,392,839
Grants receivable	1,268,711	(3,707,935)
Patient Activation Measure Survey (PAM) contract receivable	-	260,260
NYS meaningful use receivable	144,500	56,950
Care management receivable	49,096	160,999
Value based contract receivable	224,883	333,999
Prepaid expenses and other current assets	(36,137)	34,074
Due to co-applicant and other party	(538,293)	(1,700,581)
Accounts payable and accrued expenses	(317,424)	1,152,356
Accrued compensation	462,008	514,457
Refundable advances	984,869	4,061,470
Net cash flows from operating activities	<u>7,008,786</u>	<u>7,134,521</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(781,159)</u>	<u>(1,149,214)</u>
Net cash flows from investing activities	<u>(781,159)</u>	<u>(1,149,214)</u>
Cash Flows From Financing Activities		
Repayment of long-term debt	(432,980)	(369,346)
Proceeds from capital grants	2,781,321	219,009
Repayment of short-term note payable	<u>-</u>	<u>(2,100,000)</u>
Net cash flows from financing activities	<u>2,348,341</u>	<u>(2,250,337)</u>
Increase in cash and cash equivalents	8,575,968	3,734,970
Cash and Cash Equivalents, Beginning	<u>13,485,825</u>	<u>9,750,855</u>
Cash and Cash Equivalents, Ending	<u>\$ 22,061,793</u>	<u>\$ 13,485,825</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 185,042</u>	<u>\$ 247,121</u>
Building purchase financed with mortgage	<u>\$ -</u>	<u>\$ 3,780,000</u>

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.

As of December 31, 2021, LIFQHC is the co-operator of six in-scope community health centers and three school based health centers in Nassau County.

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 percent 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 percent 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; 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 to NHCC employees only; provide staff to the current health centers; develop financial and operational management systems; and guide the long range strategic planning process. HRSA granted Look Alike status under the public entity model, and LIFQHC became operational in June 2010. In July of 2011, LIFQHC 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.

Long Island FQHC, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Patient Services Receivable, Net

Patient services receivable result from the health care services provided by LIFQHC. Patient services receivable are recorded at net realizable value at the transaction price based on standard charges for services provided, reduced by both implicit and explicit price adjustments provided to third-party payors. Sliding fee scale, explicit price concession, is offered to uninsured patients if they are eligible in accordance with LIFQHC's policies, or implicit price concessions if collection is not expected to be collected on the patient portion, and/or implicit price concessions provided to uninsured or underinsured patients, and do not bear interest. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient revenues in the period of the change.

Patient services receivable, net of contractual allowances and discounts, were concentrated within the following:

	2021	2020
Medicaid	7 %	4 %
Medicaid managed care	17	24
Medicare	7	4
Private insurance	10	4
NYS Medicaid Wrap, net	24	9
Safety net payments	31	49
Other	4	6
	<u>100 %</u>	<u>100 %</u>

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 39 years using a half month convention. Maintenance, repairs and minor renewals are expensed as incurred. Assets are written off when disposed of or fully depreciated as determined by management. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less.

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 2021 and 2020.

Revenue Recognition

Net patient service revenues are recognized at the amount that reflects the consideration to which LIFQHC expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, LIFQHC bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by LIFQHC. Revenue for performance obligations satisfied at a point in time are recognized when services are provided and LIFQHC does not believe it is required to provide additional services to the patient.

LIFQHC determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors. Sliding fee scale is offered to uninsured patients if they are eligible in accordance with LIFQHC's policy. LIFQHC determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. LIFQHC determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

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 net assets without donor restriction, in the absence of donor stipulations to the contrary, when placed in service. 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 NHCC and the County, LIFQHC received \$5,000,000 in 2021 and 2020 in Article VI health center grants. On May 6, 2021, the agreement was extended to December 31, 2025. 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.

Other Revenue

Other revenue consist of care management revenue as well as other types of revenue. Care management revenue is recognized at the amount that reflects the consideration to which LIFQHC expects to be entitled in exchange for the related service. Generally, LIFQHC bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Also included within other revenue is 340B program revenue, which is recognized when the performance obligation is satisfied, and contribution income, which is recorded at fair value on the date they are received as unconditional promises to give.

Charity Care

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 net of the Safety Net Payment. Total such costs were \$3,876,888 and \$2,241,161 for the years ended December 31, 2021 and 2020, respectively.

Refundable Advances

Refundable advances represent amounts received subject to certain conditions. Refundable advances will be recognized as revenue when performance obligations are met.

Intermediate Measure of Operations

LIFQHC uses total operating income before depreciation as an intermediate measure of net assets that are available to support current and future programs and services.

Revenues In Excess of Expenses

The statements of operations and changes in net assets include 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.

Changes in net assets without donor restrictions, which are excluded from revenues in excess of expenses, consistent with industry practice, includes contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were used for the purpose of acquiring such assets) and capital contributions.

Income Taxes

LIFQHC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on its exempt income under Section 501(a) of the IRC. 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 2021 and 2020.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. ASU 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 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 adopt the guidance in ASU 2016-02 for years beginning after December 15, 2021. LIFQHC has not yet determined the impact of adoption of ASU 2016-02 on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. Management is currently evaluating the impact of ASU 2020-07 on LIFQHC's financial statements.

In March 2020, the FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU 2020-04 as of March 12, 2020 and through December 31, 2022. Management is currently assessing the effect that electing the optional expedients and exceptions included in ASU 2020-04 would have on LIFQHC's financial statements.

Long Island FQHC, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

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 implicit price concessions adjusting the transaction price to the realizable value related to uninsured patients in the period the services are provided.

Patient service revenues, net of charitable and contractual allowances and discounts, consists of the following:

2021			
	Gross Charges	Contractual and Charitable Allowances and Price Concessions	Net Patient Service Revenues
Medicaid	\$ 1,958,483	\$ 140,129	\$ 1,818,354
Medicaid managed care	17,914,181	11,258,283	6,655,898
Medicare	6,065,176	4,102,872	1,962,304
Private insurance	6,751,073	4,186,559	2,564,514
Self-pay	9,529,768	8,720,941	808,827
	<u>\$ 42,218,681</u>	<u>\$ 28,408,784</u>	13,809,897
Safety net payment			2,271,745
NYS Medicaid Wrap			9,083,286
Total			<u>\$ 25,164,928</u>

2020			
	Gross Charges	Contractual and Charitable Allowances and Price Concessions	Net Patient Service Revenues
Medicaid	\$ 957,420	\$ 282,545	\$ 674,875
Medicaid managed care	15,243,366	9,743,137	5,500,229
Medicare	5,300,104	3,432,724	1,867,380
Private insurance	5,578,020	4,355,797	1,222,223
Self-pay	7,689,437	7,055,452	633,985
	<u>\$ 34,768,347</u>	<u>\$ 24,869,655</u>	9,898,692
Safety net payment			2,292,211
NYS Medicaid Wrap			8,218,410
Total			<u>\$ 20,409,313</u>

Long Island FQHC, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

4. Property and Equipment, Net

Property and equipment, net, consists of the following:

	2021	2020
Land	\$ 1,358,250	\$ 1,568,250
Leasehold improvements	6,857,804	4,441,192
Buildings	11,165,400	11,161,750
Furniture and fixtures	395,932	395,932
Movable equipment	995,942	768,409
Fixed equipment	274,177	270,800
Computer equipment	800,410	688,599
Vehicles	27,694	27,694
Software	61,518	61,518
	21,937,127	19,384,144
Less accumulated depreciation	(4,875,922)	(3,834,995)
Plus construction in progress	446,369	2,218,193
Total	\$ 17,507,574	\$ 17,767,342

5. Long-Term Debt

In connection with the purchases of the Elmont property, LIFQHC entered into a \$1,500,000 mortgage from a financial institution. The mortgage carries a 4.25 percent interest per annum, is for a ten year term, and requires monthly interest and principal payments. In connection with the purchase of the Freeport property, LIFQHC also obtained a \$1,500,000 mortgage from a bank for a period of ten years at a rate of 4.40 percent per annum. This mortgage also requires monthly interest and principal payments.

In connection with the purchase of the Roosevelt property, LIFQHC also obtained a \$3,780,000 mortgage from a bank for a period of ten years at a rate of 2.75 percent per annum. This mortgage also requires monthly interest and principal payments.

In addition, LIFQHC had a line of credit with the financial institution for \$1,500,000. There were no amounts outstanding on the line of credit as of December 31, 2020. The line of credit had a variable interest rate equal to one-half percent per annum above the financial institution's prime rate. The line of credit expired on July 31, 2021.

On January 14, 2021, LIFQHC entered into a new line of credit for \$1,500,000 with a different financial institution. The line of credit has a variable interest rate equal to 2.61 percent per annum plus LIBOR (.11 percent as of December 31, 2021). The line of credit expires on October 15, 2022. There were no amounts outstanding on the line of credit as of December 31, 2021.

Long-term debt are as follows as of December 31:

	2021	2020
Mortgage (Elmont)	\$ 854,973	\$ 999,625
Mortgage (Freeport)	906,917	1,049,308
Mortgage (Roosevelt)	3,539,197	3,685,134
	5,301,087	5,734,067
Less current maturities	(449,941)	(432,979)
Total	\$ 4,851,146	\$ 5,301,088

Long Island FQHC, Inc.

Notes to Financial Statements
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Scheduled principal repayments per agreement on long-term debt are as follows:

Years ending December 31:	
2022	\$ 449,941
2023	467,595
2024	485,583
2025	505,080
2026	524,986
Thereafter	<u>2,867,902</u>
Total	<u>\$ 5,301,087</u>

The mortgages are secured by the fixed assets of LIFQHC. LIFQHC is required to meet certain financial covenants in accordance with the debt agreements. As of December 31, 2021, LIFQHC was in compliance with these covenants.

6. 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 Public Health Service-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. LIFQHC obtains gap insurance for providers annually.

7. Other Third-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 co-applicant and others in the balance sheets has no payment terms and is noninterest bearing. The expenses incurred for staffing and other third party transactions were \$8,076,924 and \$7,504,154 for the years ended December 31, 2021 and 2020, respectively. The expenses incurred for ancillary services were \$4,433,004 and \$4,338,689 for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, LIFQHC owed NHCC \$246,940 and \$785,233, respectively.

8. Contingencies and Uncertainties

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.

Long Island FQHC, Inc.

Notes to Financial Statements
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9. Commitments

As of December 31, 2021, LIFQHC has commitments under noncancelable operating leases for real property rental, having initial terms of five years and expiring on various dates. As of December 31, 2021, approximate future minimum rental commitments under noncancelable operating leases are as follows:

Years ending December 31:	
2022	\$ 921,702
2023	<u>512,953</u>
Total	<u>\$ 1,434,655</u>

Rent expense for the years ended December 31, 2021 and 2020 amounted to \$944,989 and \$1,111,073, respectively.

In 2015, LIFQHC extended its contract for services agreement initially dated November 1, 2010 with a company. The extension of the agreement expired on December 31, 2020 and was extended for one additional year. Contracted services expense for the years ended December 31, 2021 and 2020 amounted to \$695,816 and \$636,095, respectively.

10. Functional Expenses

Functional expenses have been recorded and reported based on their nature and functionality of expenditures as they are incurred. Expenses that are allocated based on time and effort include salaries and wages and fringe benefits. The methodology allocation is reviewed by management periodically.

LIFQHC provides healthcare services to individuals within its geographic location.

Expenses related to providing these services in 2021 and 2020 are as follows:

	2021		
	Healthcare Services	General and Administrative	Total
Salaries and wages	\$ 18,980,566	\$ 2,166,435	\$ 21,147,001
Fringe benefits	4,519,525	586,084	5,105,609
Contract labor, providers	8,184,620	-	8,184,620
Professional services	2,288,257	82,127	2,370,384
Supplies	2,540,851	-	2,540,851
Laboratory, radiology	1,253,837	-	1,253,837
Travel, conference and meeting	75,253	-	75,253
Space costs	1,369,993	-	1,369,993
Equipment repairs/maintenance	226,863	-	226,863
Insurance	176,237	-	176,237
Telecommunications	480,785	-	480,785
Dues, licensing and subscriptions	437,571	-	437,571
Printing, publication and postage	129,633	-	129,633
Recruitment and public information	274,794	-	274,794
Depreciation	1,040,927	-	1,040,927
Interest	185,042	-	185,042
COVID-19 expenses	5,505	-	5,505
Other	155,860	-	155,860
	<u>\$ 42,326,119</u>	<u>\$ 2,834,646</u>	<u>\$ 45,160,765</u>

Long Island FQHC, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

	2020		
	Healthcare Services	General and Administrative	Total
Salaries and wages	\$ 16,214,459	\$ 3,223,990	\$ 19,438,449
Fringe benefits	4,128,935	521,126	4,650,061
Contract labor, providers	7,518,413	-	7,518,413
Professional services	1,959,726	95,232	2,054,958
Supplies	2,675,857	-	2,675,857
Laboratory, radiology	1,253,060	-	1,253,060
Travel, conference and meeting	93,357	-	93,357
Space costs	1,793,079	-	1,793,079
Equipment repairs/maintenance	162,640	-	162,640
Insurance	133,471	-	133,471
Telecommunications	445,698	-	445,698
Dues, licensing and subscriptions	581,951	-	581,951
Printing, publication and postage	116,298	-	116,298
Recruitment and public information	142,479	-	142,479
Depreciation	1,138,577	-	1,138,577
Interest	247,121	-	247,121
COVID-19 expenses	1,352,044	-	1,352,044
Other	282,691	-	282,691
	<u>\$ 40,239,856</u>	<u>\$ 3,840,348</u>	<u>\$ 44,080,204</u>

11. Retirement Plan

LIFQHC has a 401K profit sharing plan covering substantially all of its employees. Contributions to the plan are based on percentage of salaries. Pension expense amounted to \$657,281 and \$621,325 for the years ended December 31, 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, included in pension expense is a discretionary profit contribution in the amounts of \$327,310 and \$313,247, respectively. Pension expense is included in fringe benefits expense.

12. Measure of Operations and Liquidity

The following reflects the LIFQHC's financial assets available within one year of the balance sheets date, reduced by amounts not available for general use because of contractual restrictions for general expenditures.

	2021	2020
Cash and cash equivalents	\$ 22,061,793	\$ 13,485,825
Patient services receivable	2,238,960	3,146,664
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 24,300,753</u>	<u>\$ 16,632,489</u>

As part of LIFQHC's cash management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Additionally, LIFQHC has a line of credit of \$1.5 million dollars to assist with managing liquidity needs. There was no outstanding balance at the balance sheet date.

13. 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.

14. Paycheck Protection Program

In April 2020, LIFQHC received proceeds in the amount of \$4,286,476 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. LIFQHC initially recorded the funds as a refundable advance and recorded the forgiveness in accordance with guidance for conditional contributions when there was no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived.

As of December 31, 2020, LIFQHC had expended all of the PPP funds received on qualified expenses and believed that it met all of the conditions attached to the PPP, therefore, LIFQHC has recorded grant revenue of \$4,286,476 within other grant revenue on its statement of operations and changes in net assets for the year ended December 31, 2020. On June 23, 2021, LIFQHC received notice from the SBA that it has forgiven \$4,286,476 of the PPP proceeds.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. LIFQHC does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

15. Provider Relief Funds

In March 2020, the CARES Act created a Provider Relief Fund (PRF) to provide financial support for healthcare providers. In accordance with the terms and conditions of PRF, LIFQHC could apply the funding against lost revenues and eligible expenses not reimbursed from other sources. LIFQHC received PRF payments of approximately \$178,000 in 2021 and \$757,000 in 2020.

LIFQHC incurred lost revenues of approximately \$494,000 in 2021 and \$263,000 in 2020 in accordance with the terms of the respective funding sources. These amounts were recognized and included in other income in the accompanying statements of operations and changes in net assets.

Refundable advances includes approximately \$178,000 and \$494,000 as of December 31, 2021 and 2020, respectively of amounts received which LIFQHC has determined the recognition criteria was not met as of year-end.

LIFQHC's methodology for calculating lost revenues was the difference between 2020 budgeted patient care revenues compared to actual patient care revenues in 2021 and 2020. The majority of the funding received is subject to future reporting and audit requirements. Noncompliance with the terms and conditions of the funding sources could result in repayment of some or all of the support, which can be subject to government review and interpretation. An estimate of the possible effects of these matters cannot be made as of the date these financial statements were issued.

16. Subsequent Events

LIFQHC evaluated subsequent events for recognition or disclosure through May 26, 2022, the date the financial statements were available to be issued.