The Institute for Family Health and Affiliates

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

December 31, 2019 and 2018

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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, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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, 2019 and 2018, 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.

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.pkfod.com

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 (deficit) on pages 33 through 36 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 as required by Title 2 U.S. *Code of Federal Regulations 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 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 August 17, 2020 on our consideration of The Institute for Family Health and Affiliates' 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 the effectiveness of The Institute for Family Health and Affiliates' 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 for Family Health and Affiliates' internal control over financial reporting and compliance.

Coronavirus Disease (COVID-19)

As discussed in Note 16, Subsequent Events, due to the global viral outbreak caused by Coronavirus Disease ("COVID-19") in 2020, there have been resulting effects which could materially impact The Institute for Family Health and Affiliates' financial condition. The ultimate impact of these matters to the Institute for Family Health and Affiliates and its financial condition is presently unknown. Management's evaluation of the events and conditions as a result of the COVID-19 pandemic and management's plans to mitigate these matters are also described in Note 16. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

Harrison, New York
August 17, 2020

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | www.pkfod.com

The Institute for Family Health and Affiliates

Consolidated Statements of Financial Position

	December 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	$ 5,293,697	$ 11,565,860
Investments	4,452,912	2,383,488
Patient services receivable, net	11,930,378	13,121,375
Grants and contracts receivable	7,297,124	7,766,948
Hospital service contracts receivable	458,408	541,780
Deposits and other receivables, net	781,567	509,850
Prepaid expenses and other current assets	567,289	712,308
Loans and interest receivable	-	23,846,749
Total Current Assets	30,781,375	60,448,358
Restricted cash	6,181,235	6,238,256
Investments	1,271,522	1,252,169
Goodwill	2,998,806	2,998,806
Other long-term assets	654,182	594,239
Property and equipment, net	62,260,949	64,251,679
	$ 104,148,069	$ 135,783,507
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 4,488,026	$ 6,467,053
Accrued compensation and benefits	4,047,422	3,973,285
Current portion of capital lease obligation	287,910	287,438
Current portion of long-term debt	1,699,412	29,204,707
Due to third-party payors	1,351,043	592,412
Refundable advances - state and other	1,306,644	1,728,157
Total Current Liabilities	13,180,457	42,253,052
Deferred rent liability	2,699,393	2,445,900
Other long-term liabilities	659,471	575,654
Capital lease obligation, net of current portion	83,041	370,950
Long-term debt, net of current portion and debt issuance costs	22,506,861	24,035,758
Total Liabilities	39,129,223	69,681,314
Net Assets		
Without donor restrictions	57,258,048	59,026,073
With donor restrictions	7,760,798	7,076,120
Total Net Assets	65,018,846	66,102,193
	$ 104,148,069	$ 135,783,507

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, 2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUE		
Patient services revenue, net	$ 99,604,494	$ 91,516,238
Provision for bad debts	(3,658,011)	(4,578,280)
Patient services revenue, less provision for bad debts	95,946,483	86,937,958
Capitation revenue	4,717,033	5,289,762
Grants and contracts	34,547,618	38,137,758
Contributions	460,741	505,932
Hospital service contracts	5,871,573	5,847,892
Net assets released from restrictions	1,565,322	1,424,444
Meaningful use incentives	255,000	902,817
Interest and dividend income	156,017	749,621
Other	1,700,517	1,616,766
Total Operating Revenue	145,220,304	141,412,950
OPERATING EXPENSE		
Salaries and benefits	102,894,966	99,856,590
Union pension withdrawal expense	1,003,847	-
Other than personnel services	42,571,037	34,127,034
Interest expense	1,616,385	1,638,293
Total Operating Expenses	148,086,235	135,621,917
Operating Income before Depreciation and Amortization	(2,865,931)	5,791,033
Depreciation and amortization	3,725,965	3,887,794
(Loss)/Income from Operations	(6,591,896)	1,903,239
NON-OPERATING REVENUE (LOSS)		
Grants and contracts for construction projects	526,909	247,404
Unrealized gain (loss) on investments	469,536	(145,025)
Forgiveness of debt from NMTC unwind	5,268,147	-
Loss on early extinguishment of debt	(1,440,721)	-
Change in net assets without donor restrictions	(1,768,025)	2,005,618
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	2,250,000	7,550,000
Net assets released from restrictions	(1,565,322)	(1,424,444)
Changes in net asset with donor restrictions	684,678	6,125,556
Change in net assets	(1,083,347)	8,131,174
NET ASSETS		
Beginning of year	66,102,193	57,971,019
End of year	$ 65,018,846	$ 66,102,193

See notes to consolidated financial statements

The Institute for Family Health and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	General and Administrative	Fundraising/ Development	Total
Salaries and wages	$ 68,615,688	$ 14,654,836	$ 444,960	$ 83,715,484
Fringe benefits	15,720,079	3,357,462	101,941	19,179,482
Union pension withdrawal expense	1,003,847	-	-	1,003,847
Consultants and contractual services	4,209,882	4,811,928	121,471	9,143,281
Professional fees	-	541,118	-	541,118
Consumable supplies	19,127,104	855,305	29,164	20,011,573
Insurance	191,053	193,098	-	384,151
Occupancy	4,234,251	1,351,292	-	5,585,543
Telephone and utilities	1,401,290	569,198	9,349	1,979,837
Equipment rental and maintenance	605,544	250,046	734	856,324
Travel, conferences and meetings	1,098,432	368,556	44,619	1,511,607
Dues, subscriptions and publications	211,984	596,759	8,690	817,433
Printing and postage	-	232,982	43,482	276,464
Interest	807,060	809,325	-	1,616,385
Other	137,657	1,101,577	68,844	1,308,078
Bad debt expense - contracts	155,628	-	-	155,628
	117,519,499	29,693,482	873,254	148,086,235
Depreciation and amortization	2,158,863	1,567,102	-	3,725,965
	$ 119,678,362	$ 31,260,584	$ 873,254	$ 151,812,200

See notes to consolidated financial statements

The Institute for Family Health and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	General and Administrative	Fundraising/ Development	Total
Salaries and wages	$ 67,948,056	$ 13,172,212	$ 357,483	$ 81,477,751
Fringe benefits	15,326,963	2,971,239	80,637	18,378,839
Consultants and contractual services	4,510,425	4,092,462	207,551	8,810,438
Professional fees	-	509,755	-	509,755
Consumable supplies	11,656,874	723,085	24,813	12,404,772
Insurance	304,063	116,360	-	420,423
Occupancy	4,082,587	1,329,736	-	5,412,323
Telephone and utilities	1,401,799	557,678	21,080	1,980,557
Equipment rental and maintenance	564,799	233,187	4,349	802,335
Travel, conferences and meetings	923,663	324,876	20,252	1,268,791
Dues, subscriptions and publications	326,588	363,811	10,985	701,384
Printing and postage	-	247,209	54,071	301,280
Interest	1,265,128	373,165	-	1,638,293
Other	187,273	890,264	56,465	1,134,002
Bad debt expense - contracts	380,974	-	-	380,974
	108,879,192	25,905,039	837,686	135,621,917
Depreciation and amortization	2,971,128	916,666	-	3,887,794
	$ 111,850,320	$ 26,821,705	$ 837,686	$ 139,509,711

See notes to consolidated financial statements

The Institute for Family Health and Affiliates

Consolidated Statements of Cash Flows

	Year Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,083,347)	$ 8,131,174
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	3,725,965	3,887,794
Amortization of debt issuance costs	233,139	121,545
Forgiveness of debt from NMTC unwind	(5,268,147)	-
Loss on early extinguishment of debt	1,440,721	-
Deferred rent	253,493	432,498
Unrealized gain on investments	(469,536)	(15,557)
Provision for bad debts	3,658,011	4,578,280
Bad debt expense - contracts	380,974	380,974
Change in operating assets and liabilities		
Patient services receivable	(2,467,014)	(9,657,158)
Grants and contracts receivable	88,850	372,560
Hospital service contracts receivable	83,372	379,153
Deposits and other receivables	(271,717)	2,958,207
Prepaid expenses and other current assets	145,019	(185,593)
Other long-term assets	(59,943)	(51,343)
Accounts payable and accrued expenses	(1,896,323)	(636,376)
Accrued compensation and benefits	74,137	738,577
Due to third party payors	758,631	(382,188)
Other long-term liabilities	83,817	51,343
Refundable advances - state and other	(421,513)	(388,759)
Net Cash from Operating Activities	(1,011,411)	10,715,131
CASH FLOWS FROM INVESTING ACTIVITIES		
Accrued interest on loan receivable	-	(345,888)
Purchase of property and equipment	(1,817,939)	(1,780,039)
Purchases of investments	(1,619,241)	(2,549,595)
Net Cash from Investing Activities	(3,437,180)	(4,675,522)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	2,151,110	-
Principal repayments on long-term debt	(3,744,266)	(1,592,691)
Principal payments on capital lease obligation	(287,437)	(486,931)
Net Cash from Financing Activities	(1,880,593)	(2,079,622)
Change in Cash, Cash Equivalents and Restricted Cash	(6,329,184)	3,959,987
CASH, CASH EQUIVALENTS and RESTRICTED CASH		
Beginning of year	17,804,116	13,844,129
End of year	$ 11,474,932	$ 17,804,116
Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position		
Cash and cash equivalents in current assets	$ 5,293,697	$ 11,565,860
Restricted cash	6,181,235	6,238,256
	$ 11,474,932	$ 17,804,116
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 1,383,246	$ 1,516,748
Non-cash investing and financing activities		
Property and equipment additions included in accounts payable and accrued expenses	82,704	74,960
Forgiveness of loan and interest receivable	23,846,749	-
Forgiveness of debt from NMTC unwind	29,114,896	-

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 health care 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 significant intercompany transactions and account balances have been eliminated.

- The Mid-Hudson Family Health 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.

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, allowances for uncollectible receivables, impairment of goodwill, impairment of long-lived assets and the allocation of expenses to functional classifications. Actual results could differ from those estimates.

Adoption of New Accounting Guidance

In June 2018, the Financial Accounting Standards Board issued ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" (Topic 958) ("ASU 2018-08"). ASU 2018-08 clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by not-for-profit entities and requires entities to evaluate whether the resource provider receives commensurate value. In addition, the standard clarifies the guidance on how entities determine when a contribution is conditional, including whether the agreement includes a barrier (or barriers) that must be overcome for the recipient to be entitled to the transferred assets and a right of return of the transferred assets (or a right of release of the promisor's obligation to transfer the assets). The standard should be applied on a modified prospective basis to agreements that are not completed as of the effective date and to agreements entered into after the effective date. Retrospective application is permitted. The Institute adopted ASU 2018-08 in the financial statements for the year ended December 31, 2019 on a modified prospective basis without significant impact to its financial statements.

In 2019, the Institute changed its method of accounting for restricted cash and restricted cash equivalents by adopting the provisions of Accounting Standards Update No. 2016-18 (ASU 2016-18), Statement of Cash Flows (Topic 230): Restricted Cash.

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

Adoption of New Accounting Guidance (continued)

The new accounting guidance in ASU 2016-18 requires balances generally described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling beginning and end of the period balances on the statement of cash flows. This change was applied retrospectively to all periods presented which resulted in following changes within the statement of cash flows:

	December 31, 2018		
	As Previously Reported	As Adjusted	Adoption Impact
Contributions received for a building project	$ (6,400,000)	$ -	$ 6,400,000
Restricted cash	(6,144,459)	-	6,144,459
Net Cash from Operating Activities	(1,829,328)	10,715,131	12,544,459
Contributions restricted to a building project	6,400,000	-	(6,400,000)
Net Cash from Financing Activities	4,320,378	(2,079,622)	(6,400,000)
Change in Cash, Cash Equivalents and Restricted Cash	(2,184,763)	3,973,784	6,158,547
Cash, cash equivalents and restricted cash, end of year	11,565,860	17,804,116	(6,238,256)

Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the “Board”) and management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management’s discretion. At December 31 2019 and 2018, the Institute had no Board designated net assets.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Institute reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of operations 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.

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

Net Assets (continued)

Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions can include a stipulation that assets provided be maintained perpetual in nature while permitting the Institute to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy. The Institute had no net assets with restrictions that were perpetual in nature.

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.

The Institute uses net asset value (“NAV”) per share, or its equivalent, such as member units or an ownership interest in partners’ capital, as a practical expedient to estimate the fair values of limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

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, at December 31, 2019 and 2018 consists predominantly of approximately $6.2 million and $6.1 million in grant funds received from a foundation for a construction project.

Investments Valuation

Investments are carried at fair value.

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

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

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, 2019 and 2018.

Property and Equipment

Property and equipment is carried at cost or fair value, if contributed. The Institute capitalizes all expenditures in excess of $5,000 with a useful live greater than one year. 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 3 to 39 years.

The Institute capitalizes interest, 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, 2019 and 2018.

Debt Issuance Costs

Debt issuance costs are reported on the consolidated statements of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the effective interest method. The Institute reflects amortization of debt issuance costs within interest expense.

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, 2019 and 2018.

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. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. 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.

The Institute participates in Section 340B of the Public Health Service Act ("PHS Act"), Limitation on Prices of Drugs Purchased by Covered Entities. Participation in this program allows the Institute to purchase pharmaceuticals at discounted rates for prescriptions to eligible patients. The Institute has a network of participating pharmacies that dispenses the pharmaceuticals to its patients under a contract arrangement with the Institute. Pharmacy revenue is recognized as pharmaceuticals are dispensed. The Institute earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. Reported pharmacy revenue consists of the following:

	2019	2018
Gross receipts	$ 10,645,413	$ 4,712,522
Drug replenishment costs	(5,624,015)	(1,910,219)
Administrative and dispensing fees	(2,655,480)	(545,735)
Consulting fees	(484,057)	(125,838)
Pharmacy revenue, net	$ 1,881,861	$ 2,130,730

The 340B gross receipts are included in net patient service revenue on the consolidated statements of activities and changes in net assets. The drug replenishment costs, administrative and dispensing fees and other operating expenses are included in other than personnel services on the consolidated statements of activities and change in net assets. The net 340B revenue from this program is used in furtherance of the Institute's mission.

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

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 enrolled with each HMO assigned to the Center, regardless of services actually performed by the Center. Capitation payments are recognized as capitation revenue during the period in which the Center is obligated to provide services to participants.

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.

The Center's estimated costs for charity care approximated $7,936,000 and $10,211,000 for the years ended December 31, 2019 and 2018. The cost of charity includes the direct and indirect cost of providing care to self-pay patients and is estimated by utilizing total cost per self-pay visit.

Funds received from the New York State Indigent Care Pool to offset charity services provided approximated $5,184,000 and $5,160,000 for the years ended December 31, 2019 and 2018.

Grants and Contracts and Hospital Service Contracts

Revenue from grants and contracts including hospital service contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grant and contract 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 Contributions

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 health care 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 six years and will be received based on a transitional schedule. The Institute recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

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 consolidated 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, 2019 and 2018, the Institute has recorded a liability for claims incurred but not paid of approximately $763,722 and $1,131,402, which is recorded in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

Functional Allocations of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of functional expenses. The consolidated schedules of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting services. Those expenses include depreciation and the facility (occupancy and utilities), development, communication and information technology departments. The facility department and depreciation expenses are allocated on a square footage basis. The development and communication departments are allocated based on a detailed analysis of where the employee spends their time. The information technology department is allocated based on the specific technology utilized by the employee.

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

Operating Indicator

The consolidated statements of activities and changes in net assets has as the operating indicator "Loss/Income from Operations." Changes in net assets without donor restrictions which are excluded from the operating indicator, consistent with industry practice, include grants and contracts for construction projects, unrealized gain on investments, loss on early extinguishment of debt and forgiveness of debt from NMTC unwind. Peripheral or incidental transactions are reported as non-operating revenue and expenses.

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, 2016.

Reclassifications

Certain reclassifications have been made to the 2018 balances previously reported in order to conform to the 2019 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 August 17, 2020 which is the date the consolidated financial statements were available to be issued.

3. Investments

The following are major categories of investments measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient, at December 31, grouped by fair value hierarchy:

	2019		
	Level 1	Investments Valued using NAV	Total
Equity	$ 2,528,439	$ -	$ 2,528,439
Fixed Income	1,924,474	-	1,924,474
Investment in limted liabilities companies (LLCs) and other	-	1,271,522	1,271,522
	$ 4,452,913	$ 1,271,522	$ 5,724,435

3. Investments *(continued)*

	2018		
	Level 1	Investments Valued using NAV	Total
Equity	$ 1,143,692	$ -	$ 1,143,692
Fixed Income	1,239,796	-	1,239,796
Investment in limted liabilities companies (LLCs) and other	-	1,252,169	1,252,169
	$ 2,383,488	$ 1,252,169	$ 3,635,657

The Institute's policy is to recognize transfers in and transfers out at the end of the reporting period. There were no transfers between levels during 2019 and 2018.

The following table summarizes liquidity arrangements and unfunded commitments for investments valued at NAV using the practical expedient at December 31, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
LLCs and other	$ 1,271,522	$ -	N/A	N/A

The Center's invests in LLCs whose purpose is to help Medicaid and Medicare beneficiaries connect with primary care physicians and specialists to improve their health outcomes and reduce medical costs. The other investment is related to equal ownership in real estate.

4. 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, 2019 and 2018, 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:

	2019	2018
Medicaid	$ 7,361,862	$ 8,713,430
Medicaid Managed Care	13,808,614	12,974,423
Medicare	9,662,796	10,154,028
Private insurance	11,610,900	10,639,661
Self Pay	1,914,558	1,436,952
	44,358,730	43,918,494
Safety Net Payment	5,184,200	5,159,708
New York State and Child Health Plus Wraparound	30,520,490	29,265,776
Medicaid Managed Care Incentives	2,516,683	2,844,259
Home health revenue	4,959,114	4,199,093
Health Home revenue	1,419,864	1,416,386
Pharmacy (340B) revenue	10,645,413	4,712,522
	$ 99,604,494	$ 91,516,238

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

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.

The Institute's allowance for doubtful accounts totaled approximately $25.3 million and $19.3 million at December 31, 2019 and 2018. The Institute did not experience significant changes in write-off trends and did not change its charity care policy in 2019 and 2018.

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

	2019	2018
Medicaid	$ 6,849,470	$ 5,095,712
Medicaid Managed Care	9,408,068	8,050,803
Medicare	3,899,281	2,654,383
Private insurance	5,232,310	4,387,968
Self-pay	8,650,146	6,756,850
Pharmacy (340B)	1,921,628	1,592,731
	35,960,903	28,538,447
Allowance for doubtful accounts	(25,325,106)	(19,330,818)
	10,635,797	9,207,629
NYS Safety Net Payment	1,294,581	3,913,746
	$ 11,930,378	$ 13,121,375

5. Loans and Interest Receivable

In connection with the New Markets Tax Credit ("NMTC") transaction (Note 8), on March 2, 2012, the Center loaned 481 IFH Investment Fund, LLC, ("Investment Fund") an unrelated entity, $21,351,110. The loan was secured by a first lien on the membership interest of PCDC Empire State Health Opportunities Fund III, LLC ("PCDC") and CHHS Subsidiary CDE 5, LLC ("CHHS") (collectively the "Sub Community Development Entities"). The loan was 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 loan receivable of $21,351,110 along with the accrued interest of $2,495,639 at December 31, 2018 was netted with $29,114,896 in debt associated with NMTC as part of the unwind of the NMTC transaction as described in Note 8. The Institute recognized a net gain of $5,268,147 on the forgiveness of debt from NMTC unwind.

6. Property and Equipment

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

	2019	2018
Land	$ 3,893,798	$ 3,893,799
Building and building improvements	57,868,832	57,849,856
Leasehold improvements	13,476,447	12,927,349
Furniture and fixtures	19,776,264	19,410,054
	95,015,341	94,081,058
Accumulated depreciation and amortization	(34,377,093)	(30,651,128)
	60,638,248	63,429,930
Construction-in-progress	1,622,701	821,749
	$ 62,260,949	$ 64,251,679

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, 2020 and has a variable interest rate for each advance based on the London Inter-bank Offered Rate ("LIBOR") rate plus 2%. No amounts were drawn down on this line of credit and no balance is outstanding at December 31, 2019 and 2018. Substantially all of the Institute's assets are pledged as collateral under the terms of the agreement. The Institute is required to maintain certain financial and reporting covenants.

8. Long-Term Debt

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

	2019	2018
Debt associated with the New Markets Tax Credit:		
TD Bank		
(a) IFH Loan Senior Note	$ -	$ 2,151,110
Sub Community Development Entities		
(b) PCDC Empire State Health Opportunities Fund III LLC Loan (Senior Loan)	-	2,151,110
(c) PCDC Empire State Health Opportunities Fund III LLC Loan (Junior Loan)	-	17,238,786
(d) CHHS Subsidiary CDE5, LLC Loan (Junior Loan)	-	9,725,000
Citibank		
(e)(1) Mortgage	7,299,525	7,675,449
(e)(2) Leasehold Term Loan	1,842,343	2,333,451
(e)(3) Equipment Loan	197,287	372,631
(e)(4) Mortgage - Madison Avenue	6,783,102	7,093,408
(e)(5) Loan - New Paltz	6,410,012	6,592,626
(e)(6) Loan - IFH Properties	2,093,250	-
	24,625,519	55,333,571
Unamortized debt issuance costs	(419,246)	(2,093,106)
Long-Term Debt, net	24,206,273	53,240,465
Amount due within one year	(1,699,412)	(29,204,707)
Amount due after one year	$ 22,506,861	$ 24,035,758

On March 2, 2012, the Center and IFH Properties entered into various debt agreements facilitated by the New Markets Tax Credit ("NMTC") 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. The initial NMTC compliance period ended in March 2019. On April 5, 2019, simultaneous with both PCDC's and CHHS's assignment of their junior loans ($17,238,786 and $9,725,000) to the Investment Fund, both in consideration for the Investment Fund's membership interest in PCDC and CHHS, the Investment Fund exercised the option to have the Center acquire 100% interest in the Investment Fund. The junior loans were further assigned by the Investment Fund to the Center to offset the loan and interest receivable from the Investment Fund. With the completion of the unwind of the NMTC, the Center and IFH Properties entered into a forgiveness of debt agreement. As a result, IFH Properties recognized $26,963,786 million as forgiveness of debt which was netted with the corresponding write-off of the Center's $23,846,749 million in the leverage loan and interest receivables and $2,151,110 million in IFH Loan Senior Note. In addition, the Center assigned the senior note of $2,151,110 to TD Bank, N.A as the servicer of the loan (see (b) below).

8. Long-Term Debt *(continued)*

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

a) The Center entered into a loan agreement with TD Bank for $2,151,110. The loan was interest only until June 30, 2019 at an interest rate of 4.00%. As part of the unwind process of the NMTC, the loan was forgiven on April 2019.

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:

b) IFH Properties entered into a loan agreement on March 2, 2012 with PCDC Empire State Health Opportunities Fund III, LLC ("PCDC"). The loan was interest only until June 30, 2019 at an interest rate of 1.01%. The entire principal balance was due on June 30, 2019. The outstanding loan of $2,151,110 to TD Bank was refinanced in April 2019 with another financial institution for a term of 15 years at an interest rate of 4.58% (see (e)(6)).

c) IFH Properties entered into a second loan agreement on March 2, 2012 with PCDC. The loan was interest only until June 30, 2019 at an interest rate of 1.01%. Beginning October 1, 2019 and quarterly thereafter, amortizing payments of $212,185 for accrued interest and principal were to be made, with all outstanding principal and interest due on the maturity date, March 31, 2042. As part of the unwind process of the NMTC, the loan was forgiven on April 2019.

d) IFH Properties entered into a loan agreement on March 2, 2012 with CHHS Subsidiary CDE5, LLC ("CHHS"). The loan is interest only until June 30, 2019 at an interest rate of 1.01%. Beginning October 1, 2019 and quarterly thereafter, amortizing payments of $119,701 for accrued interest and principal are to be made, with all outstanding principal and interest due on the maturity date, March 31, 2042. As part of the unwind process of the NMTC, the loan was forgiven on April 2019.

PCDC is managed by Primary Care Development Corporation (a Community Development Entity). CHHS is managed by Community Hospitality Health Care Services (a Community Developmental Entity).

Loans (b) through (d) were 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 was required to meet certain debt reporting covenants.

8. Long-Term Debt *(continued)*

e) 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 requires 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 merger of Mid-Hudson Family Health Institute.

2) Leasehold term loan 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 $868,646 to finance equipment purchases for the Stevenson Family Health Center was executed. The note has an annual interest rate of 2.89% and matures in December 2020. 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 interest rate of 4.0% and requires monthly principal and interest payments of $48,963 commencing July 1, 2015 until June 1, 2035.

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 LIBOR plus 4% until June 30, 2017 and then was converted to a fixed interest rate of 4%. The monthly payment is $30,156 (principal) plus accrued interest. The majority of the proceeds of the loan were used to repay a loan related to the purchase of a facility by FHCNPP. Title to the property was transferred into the Center's name as part of the closing.

6) On April 5, 2019, the IFH Properties entered into a loan in the amount of $2,151,110 as part of refinancing of a senior note associated with the unwind of the NMTC transaction for a term of 15 years at an interest rate of 5.92%.

As a condition of the loans, Citibank requires the Institute to comply with certain covenants. Substantially all of the Institute's assets are pledged as collateral under the term of the agreement with Citibank.

8. Long-Term Debt *(continued)*

Future principal payments on long-term debt in each of the five years subsequent to December 31, 2019 and thereafter are payable as follows:

2020	$ 1,699,412
2021	1,599,347
2022	1,646,694
2023	1,439,858
2024	1,214,485
Thereafter	17,025,723
	$ 24,625,519

The Institute incurred debt issuance costs with each long term debt arrangement reported above. In connection with the unwind of NMTC, the Institute recognized a loss on extinguishment of debt totaling $1,440,721 in 2019. Debt issuance costs and accumulated amortization at December 31, are summarized as follows:

	2019	2018
Deferred debt issuance costs	$ 718,690	$ 2,767,981
Accumulated amortization	(299,444)	(674,875)
	$ 419,246	$ 2,093,106

9. Capital Lease Obligation

Equipment under capital lease consists of IT equipment for the Data Center with a combined capitalized cost of $2,856,866 for 2019 and 2018. Accumulated depreciation in the consolidated statements of financial position included $2,193,484 and $1,623,084 relating to leased equipment. Depreciation expense reported in the consolidated statements of activities and changes in net assets includes $593,462 and $614,126 for the equipment under capital lease for 2019 and 2018. 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:

2020	$ 287,910
2021	83,041
	$ 370,951

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

10. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, consist of contributions received from the following organizations for specific programs and activities:

	2019			
	Balance December 31, 2018	Additions	Net Assets Released from Restrictions	Balance December 31, 2019
Mary Helen Rowan - Capital Project	$ 74,336	$ -	$ -	$ 74,336
Robin Hood Foundation - Diabetes and Free Clinic Programs	853,860	1,150,000	(1,121,156)	882,704
Doris Duke Foundation	-	100,000	(100,000)	-
Newmans Own Foundation	1,252	-	(1,252)	-
NYS Health Foundation	647	-	(647)	-
Cigna	6,025	-	-	6,025
Sergievsky Trust	-	1,000,000	-	1,000,000
Anonymous - Pine Street	6,140,000	-	(342,267)	5,797,733
	$ 7,076,120	$ 2,250,000	$ (1,565,322)	$ 7,760,798

	2018			
	Balance December 31, 2017	Additions	Net Assets Released from Restrictions	Balance December 31, 2018
Mary Helen Rowan - Capital Project	$ 74,336	$ -	$ -	$ 74,336
Robin Hood Foundation - Diabetes and Free Clinic Programs	838,412	1,150,000	(1,134,552)	853,860
Newmans Own Foundation	31,144	-	(29,892)	1,252
NYS Health Foundation	647	-	-	647
Cigna	6,025	-	-	6,025
Anonymous - Pine Street	-	6,400,000	(260,000)	6,140,000
	$ 950,564	$ 7,550,000	$ (1,424,444)	$ 7,076,120

11. Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019
Cash	$ 5,293,697
Investments	4,452,912
Patient services receivable, net	11,930,378
Grants and contracts receivable	7,297,124
Hospital service contracts receivable	458,408
	$ 29,432,519

As part of the liquidity management plan, the Institute invests cash in excess of daily requirements in money market funds and mutual funds. Subsequent to year end, the Institute drew down $5,000,000 on the available line of credit (See Note 7) to be available during COVID-19 (See Note 16).

12. Grants and Contracts Revenue

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

	2019	2018
U.S. Department of Health and Human Services (DHHS):		
Health Resources and Services Administration (HRSA):		
Consolidated Health Centers Program	$ 9,152,432	$ 8,216,162
Other various HRSA grants	1,683,763	1,237,163
ACA - Teaching Health Center Graduate Medical Education	4,948,917	4,951,703
Center for Disease Control and Prevention (CDC):		
Bronx Health Reach	727,960	768,725
HITCH: Cancer Services Program	67,142	64,530
Care for the Homeless	799,162	909,502
U.S Department of Justice:		
Substance Abuse and Mental Health Services Administration:		
The Purple Clinic: Specialized Health Services for Victims of Human Trafficking	164,235	149,280
Suicide prevention	83,403	114,498
Primary and Behavioral Health Care Integration (PBHCI) Program	337,250	420,242
Improving Access to Overdose Treatment	202,548	28,722
NYC Department of Health and Mental Hygiene:		
Care Coordination Protocol for HIV Infected Persons	-	230,070
Immunization Grants	1,195,719	1,335,923
NYC Department of Health and Mental Hygiene	89,092	95,971
NYS Offices for Children and Family Services:		
Ulster County Healthy Start	941,680	982,306
Dutchess County Healthy Families	692,099	675,562
Dutchess Healthy Families	284,551	300,547
NYS Department of Health (NYSDOH):		
Women, Infants and Children	1,133,357	1,098,852
Other various New York State Department of Health contracts	861,778	956,611
NYS Department of Health AIDS Institute:		
Icahn School of Medicine at Mt. Sinai - Primary Care Scholars	367,147	543,072

12. Grants and Contracts Revenue *(continued)*

	2019	2018
New York State Department of Health Bureau of Maternal & Child Health:		
Maternal and Infant Community Health Collaboratives	$ 223,814	$ 248,634
School District contracts	203,556	252,912
Community Benefit Grants	1,362,535	1,362,535
School Based Health	352,646	358,361
Hospital Contracts	789,996	894,663
Delivery System Reform Incentive Payment (DSRIP)	3,116,303	4,934,736
Maternal Infant Services Network - IPA/Navigator	61,726	56,502
NYC Department of Social Services of the Human Resource Administration:		
Fedcap/Federal Employment and Guidance Services	96,273	3,400,916
New York State Office of Mental Health -		
Ulster County Partnership Innovation for Older Adults	193,084	192,034
Rural Health Network	119,880	231,997
Public Health Solutions:		
Ryan White Part A	511,951	328,560
Family Planning Grant	296,809	346,052
Status Neutral Care Coordination	155,852	132,919
Health Research Incorporated:		
Retention & Adherence Program	351,399	357,743
Cancer Screening Grant	124,122	126,544
Advanced Primary Care Practice Transformation Technical Assistance	41,500	249,700
New York Metro AHEC	25,998	21,729
NIH Small Business Fund - SIMmersion	92,028	57,016
Research Foundation of CUNY	246,020	110,937
Buck Foundation	24,754	62,054
United Hospital Fund	-	11,641
Reproductive Health Access Project	10,000	95,000
School Based Health Center	353,899	-
NYCDOH - Care Coordination Services for People Living with HIV	534,773	165,618
Blavatnik Family Foundation	77,880	83,509
Ulster Greene ARC	70,000	70,000
Wellcare	67,794	60,811
Bronx Partners for Health Communities	162,398	-
Research Foundation for Mental Hygiene	585,845	381,152
Other	562,548	464,042
	34,547,618	38,137,758
Non-Operating:		
US Department of Health and Human Services (DHHS):		
Health Resources and Services Administration:		
Oral Health Infrastructure	62,382	234,404
Sepulvida Capital	250,000	-
Family Planning Grant	7,736	-
DSRIP	206,791	-
Public Health Solutions - Family Planning Grant	-	13,000
Total Non-operating	526,909	247,404
Total	$ 35,074,527	$ 38,385,162

13. Pension Plans

The Institute established a defined contribution plan (403(b)) effective July 1, 2018 covering all eligible employees meeting certain eligibility requirements. The Institute will contribute a mandatory 1% or 2% of annual regular wages depending on the classification of the employee. In addition, the Institute may make a matching contribution of 25% up to 50% of the employee's elective deferrals to the plan, not to exceed 4% of compensation. The matching contribution is based on the classification of the employee, the years of service and the non-elective contribution made by the employer. The Institute estimated a liability of approximately $1,446,431 and $750,000 for contributions to the plan for the years ended December 31, 2019 and 2018, which is included in accrued compensation and benefits in the consolidated statements of financial position and in salaries and benefits in the consolidated statements of activities and changes in net assets.

The Institute maintained a noncontributory profit-sharing plan which covered all employees not covered under a collective bargaining agreement and meeting certain eligibility requirements. Contributions to the plan were based on a percent of salaries. The Board of Directors voted to freeze the plan effective November 30, 2018 and no contributions were made to the plan for 2019 and 2018.

Multiemployer Union Pension Plans

The Institute contributes to the 1199 SEIU Health Care Employees Pension Fund, 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 1199 SEIU Health Care Employees Pension Fund was frozen for new hires effective February 1, 2011. 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.

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.

13. Pension Plans *(continued)*

Multiemployer Union Pension Plans (continued)

The Institute's participation in the Union Plans for the years ended December 31, 2019 and 2018 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 2019 and 2018 is for the Union Plans' year-end at December 31, 2018 and 2017 or June 30, 2019 and 2018. 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.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status 2019	Pension Protection Act Zone Status 2018
1199 SEIU Health Care Employees Pension Fund	13-3604862	001	Green as of 1/1/19	Green as of 1/1/18
Building Service 32BJ Pension Fund	13-1879376	001	Red as of 7/1/19	Red as of 7/1/18
Local 153 Pension Fund	13-2864289	001	N/A	Red as of 1/1/18

FIR / RP Status Pending/Implemented	Contributions by the Center 2019	Contributions by the Center 2018	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
No	$ 97,702	$ 76,010	No	1/31/2023
Yes	$ 29,835	$ 29,759	No	12/31/2019
Yes	$ 1,051,406	$ 107,400	No	10/31/2018

Form 5500 is not yet available for the Union Plans' year ended in 2019.

14. Commitments and Contingencies

Reimbursement

The Institute has contracted with various funding agencies to perform certain health care 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.

14. 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.

Health Care Revenue and Regulatory Compliance

The health care 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 health care 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 health care 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, 2019 and 2018, approximately 50% and 37% of the Institute's employees were covered by various collective bargaining agreements. In November 2018, Local 153 Office and Professional Employees International Employees notified the Institute that it will not represent the participating employees. The agreements cover RN's, service, maintenance, technical, clerical and professional employees. In 2019, the Center paid $1,003,847 related to the satisfaction of a withdrawal liability.

14. Commitments and Contingencies *(continued)*

Collective Bargaining Agreement (continued)

A summary of the various labor contracts is as follows at December 31, 2019:

Union	% of Employees Covered	Contract Expiration date
1199 SEIU United Healthcare Workers East (Downstate)	15%	01/31/2023
1199 SEIU United Healthcare Workers East (Mid-Hudson)	14%	12/31/2022
1199 SEIU United Healthcare Workers East (17th St, Cadman and Westchester)	18%	12/31/2023
Local 32BJ Service Employees International Union	<1%	12/31/2019
Committee of Interns and Residents	2%	06/30/2022

Negotiations to extend the contract with Building Service 32BJ are ongoing.

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.

Related Party Transactions

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. With the unwind of NMTC transaction, the lease agreement was amended on April 2019 for monthly rental payment of $16,544. Occupancy expenses for years ended December 31, 2019 and 2018 were $396,895 and $355,833.

14. Commitments and Contingencies *(continued)*

Operating Leases

At December 31, 2019, 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:

2020	$ 3,857,819
2021	2,719,919
2022	2,673,095
2023	2,781,465
2024	2,822,090
Thereafter	22,804,451
	$ 37,658,839

Occupancy expense for the years ended December 31, 2019 and 2018 amounted to $5,585,543 and $5,412,323.

15. 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.

16. Subsequent Events

Subsequent to year end, the Coronavirus 2019 ("COVID-19") disease has resulted in substantial volatility in the local health care market where the Institute operates as well as in the global financial market. As a result of the COVID-19 disease, the Institute is experiencing a reduction in patient visits that is having a direct effect on its operations. The rise in demand for health care supplies and potential staffing shortages will likely increase costs incurred by the Institute as well. The long-term continuation of the effect of the pandemic cannot be determined with certainty. In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act's full financial impact on the Institute is unknown, but the Institute has subsequently received approximately $7.4 million until the date of this financial statements.

Given the uncertainty surrounding the extent and timing of the potential future spread or mitigation of COVID-19, management cannot reasonably estimate the impact to the Institute's future results of operations, cash flow, or financial condition.

* * * * *

The Institute for Family Health and Affiliates

Consolidating Schedule of Financial Position
December 31, 2019

	The Institute for Family Health	IFH Properties, LLC	Mid-Hudson Family Health Foundation	Family Health Center of New Paltz Properties, LLC	Eliminations	Consolidated Total
ASSETS						
Current Assets						
Cash and cash equivalents	$ 5,080,183	$ 130,416	$ 83,098	$ -	$ -	$ 5,293,697
Investments	4,452,912	-	-	-	-	4,452,912
Patient services receivable, net	11,930,378	-	-	-	-	11,930,378
Grants and contracts receivable	7,297,124	-	-	-	-	7,297,124
Hospital service contracts receivable	458,408	-	-	-	-	458,408
Deposits and other receivables, net of allowances	781,567	-	-	-	-	781,567
Due from the Center	-	663,887	-	178,524	(842,411)	-
Prepaid expenses and other current assets	559,589	-	-	7,700	-	567,289
Total Current Assets	30,560,161	794,303	83,098	186,224	(842,411)	30,781,375
Restricted cash	6,181,235	-	-	-	-	6,181,235
Investments	1,271,522	-	-	-	-	1,271,522
Goodwill	2,998,806	-	-	-	-	2,998,806
Other long-term assets	654,182	-	-	-	-	654,182
Investment in Family Health Center of New Paltz Properties, LLC	180,935	-	-	-	(180,935)	-
Property and equipment, net	40,735,671	21,525,278	-	-	-	62,260,949
	$ 82,582,512	$ 22,319,581	$ 83,098	$ 186,224	$ (1,023,346)	$ 104,148,069
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable and accrued expenses	$ 4,612,628	$ -	$ 53,922	$ -	$ (178,524)	$ 4,488,026
Accrued compensation and benefits	4,047,422	-	-	-	-	4,047,422
Due to IFH Properties	663,887	-	-	-	(663,887)	-
Current portion of capital lease obligation	287,910	-	-	-	-	287,910
Current portion of long-term debt	1,604,187	95,225	-	-	-	1,699,412
Due to third-party payors	1,351,043	-	-	-	-	1,351,043
Refundable advances - state and other	1,306,644	-	-	-	-	1,306,644
Total Current Liabilities	13,873,721	95,225	53,922	-	(842,411)	13,180,457
Deferred rent liability	2,699,393	-	-	-	-	2,699,393
Other long-term liabilities	654,182	-	-	5,289	-	659,471
Capital lease obligation, net of current portion	83,041	-	-	-	-	83,041
Long-term debt, net of current portion and debt issuance costs	20,508,837	1,998,024	-	-	-	22,506,861
Total Liabilities	37,819,174	2,093,249	53,922	5,289	(842,411)	39,129,223
Net Assets						
Without donor restrictions	37,002,540	20,226,332	29,176	180,935	(180,935)	57,258,048
With donor restrictions	7,760,798	-	-	-	-	7,760,798
Total Net Assets	44,763,338	20,226,332	29,176	180,935	(180,935)	65,018,846
	$ 82,582,512	$ 22,319,581	$ 83,098	$ 186,224	$ (1,023,346)	$ 104,148,069

See independent auditors' report

The Institute for Family Health and Affiliates

Consolidating Schedule of Financial Position

December 31, 2018

	The Institute for Family Health	IFH Properties, LLC	Mid-Hudson Family Health Foundation	Family Health Center of New Paltz Properties, LLC	Eliminations	Consolidated Total
ASSETS						
Current Assets						
Cash and cash equivalents	$ 11,249,512	$ 230,359	$ 85,989	$ -	$ -	$ 11,565,860
Investments	2,383,488	-	-	-	-	2,383,488
Patient services receivable, net	13,121,375	-	-	-	-	13,121,375
Grants and contracts receivable	7,766,948	-	-	-	-	7,766,948
Hospital service contracts receivable	541,780	-	-	-	-	541,780
Deposits and other receivables, net of allowances	501,008	-	-	8,842	-	509,850
Due from the Center	-	511,491	-	178,524	(690,015)	-
Prepaid expenses and other current assets	704,608	-	-	7,700	-	712,308
Loans and interest receivable	23,846,749	-	-	-	-	23,846,749
Total Current Assets	60,115,468	741,850	85,989	195,066	(690,015)	60,448,358
Restricted cash	6,158,256	80,000	-	-	-	6,238,256
Investments	1,252,169	-	-	-	-	1,252,169
Goodwill	2,998,806	-	-	-	-	2,998,806
Other long-term assets	594,239	-	-	-	-	594,239
Investment in Family Health Center of New Paltz Properties, LLC	189,778	-	-	-	(189,778)	-
Property and equipment, net	42,050,614	22,201,065	-	-	-	64,251,679
	$ 113,359,330	$ 23,022,915	$ 85,989	$ 195,066	$ (879,793)	$ 135,783,507
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable and accrued expenses	$ 6,592,914	$ -	$ 52,663	$ -	$ (178,524)	$ 6,467,053
Accrued compensation and benefits	3,973,285	-	-	-	-	3,973,285
Due to IFH Properties	511,491	-	-	-	(511,491)	-
Current portion of capital lease obligation	287,438	-	-	-	-	287,438
Current portion of long-term debt	3,880,354	25,324,353	-	-	-	29,204,707
Due to third-party payors	592,412	-	-	-	-	592,412
Refundable advances - state and other	1,728,157	-	-	-	-	1,728,157
Total Current Liabilities	17,566,051	25,324,353	52,663	-	(690,015)	42,253,052
Deferred rent liability	2,445,900	-	-	-	-	2,445,900
Other long-term liabilities	570,366	-	-	5,288	-	575,654
Capital lease obligation, net of current portion	370,950	-	-	-	-	370,950
Long-term debt, net of current portion and debt issuance costs	21,884,648	2,151,110	-	-	-	24,035,758
Total Liabilities	42,837,915	27,475,463	52,663	5,288	(690,015)	69,681,314
Net Assets (Deficit)						
Without donor restrictions	63,445,295	(4,452,548)	33,326	189,778	(189,778)	59,026,073
With donor restrictions	7,076,120	-	-	-	-	7,076,120
Total Net Assets (Deficit)	70,521,415	(4,452,548)	33,326	189,778	(189,778)	66,102,193
	$ 113,359,330	$ 23,022,915	$ 85,989	$ 195,066	$ (879,793)	$ 135,783,507

See independent auditors' report

The Institute for Family Health and Affiliates

Consolidating Schedule of Activities and Changes in Net Assets (Deficit)
Year Ended December 31, 2019

	The Institute for Family Health	IFH Properties, LLC	Mid-Hudson Family Health Institute Foundation	Family Health Center of New Paltz Properties, LLC	Eliminations	Consolidated Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS						
OPERATING REVENUE						
Patient services revenue (net of contractual allowances and discounts)	$ 99,604,494	$ -	$ -	$ -	$ -	$ 99,604,494
Provision for bad debts	(3,658,011)	-	-	-	-	(3,658,011)
Patient services revenue, less provision for bad debts	95,946,483	-	-	-	-	95,946,483
Capitation revenue	4,717,033	-	-	-	-	4,717,033
Grants and contracts	34,547,618	-	-	-	-	34,547,618
Contributions	460,141	-	600	-	-	460,741
Hospital service contracts	5,871,573	-	-	-	-	5,871,573
Net assets released from restrictions	1,565,322	-	-	-	-	1,565,322
Meaningful use incentives	255,000	-	-	-	-	255,000
Interest and dividend income	156,017	-	-	-	-	156,017
Other	1,700,517	396,895	-	-	(396,895)	1,700,517
Total Operating Revenue	145,219,704	396,895	600	-	(396,895)	145,220,304
OPERATING EXPENSE						
Salaries and benefits	102,894,966	-	-	-	-	102,894,966
Union pension withdrawal expense	1,003,847	-	-	-	-	1,003,847
Other than personnel services	42,865,163	89,176	4,750	8,843	(396,895)	42,571,037
Interest expense	1,140,269	476,116	-	-	-	1,616,385
Total Operating Expenses	147,904,245	565,292	4,750	8,843	(396,895)	148,086,235
Operating Income (Loss) before Depreciation and Amortization	(2,684,541)	(168,397)	(4,150)	(8,843)	-	(2,865,931)
Depreciation and amortization	3,050,177	675,788	-	-	-	3,725,965
(Loss)/Income from Operations	(5,734,718)	(844,185)	(4,150)	(8,843)	-	(6,591,896)
NON-OPERATING REVENUE (LOSS)						
Grants and contracts for construction projects	526,909	-	-	-	-	526,909
Unrealized gain on investments	469,536	-	-	-	-	469,536
Change in investment in Family Health Center of New Paltz Properties, LLC	(8,843)	-	-	-	8,843	-
Forgiveness of debt from NMTC unwind	(21,695,639)	26,963,786	-	-	-	5,268,147
Loss on early extinguishment of debt	-	(1,440,721)	-	-	-	(1,440,721)
Change in net assets without donor restrictions	(26,442,755)	24,678,880	(4,150)	(8,843)	8,843	(1,768,025)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS						
Contributions	2,250,000	-	-	-	-	2,250,000
Net assets released from restrictions	(1,565,322)	-	-	-	-	(1,565,322)
Change in net assets with donor restrictions	684,678	-	-	-	-	684,678
Change in net assets	(25,758,077)	24,678,880	(4,150)	(8,843)	8,843	(1,083,347)
NET ASSETS (DEFICIT)						
Beginning of year	70,521,415	(4,452,548)	33,326	189,778	(189,778)	66,102,193
End of year	$ 44,763,338	$ 20,226,332	$ 29,176	$ 180,935	$ (180,935)	$ 65,018,846

See independent auditors' report

The Institute for Family Health and Affiliates

Consolidating Schedule of Activities and Changes in Net Assets (Deficit)
Year Ended December 31, 2018

	The Institute for Family Health	IFH Properties, LLC	Mid-Hudson Family Health Institute Foundation	Family Center of New Paltz Properties, LLC	Eliminations	Consolidated Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS						
OPERATING REVENUE						
Patient services revenue (net of contractual allowances and discounts)	$ 91,516,238	$ -	$ -	$ -	$ -	$ 91,516,238
Provision for bad debts	(4,578,280)	-	-	-	-	(4,578,280)
Patient services revenue, less provision for bad debts	86,937,958	-	-	-	-	86,937,958
Capitation revenue	5,289,762	-	-	-	-	5,289,762
Grants and contracts	38,137,758	-	-	-	-	38,137,758
Contributions	505,932	-	-	-	-	505,932
Hospital service contracts	5,847,892	-	-	-	-	5,847,892
Net assets released from restrictions	1,424,444	-	-	-	-	1,424,444
Meaningful use incentives	902,817	-	-	-	-	902,817
Interest and dividend income	749,621	-	-	-	-	749,621
Other	1,615,662	355,833	1,104	-	(355,833)	1,616,766
Total Operating Revenue	141,411,846	355,833	1,104	-	(355,833)	141,412,950
OPERATING EXPENSE						
Salaries and benefits	99,856,590	-	-	-	-	99,856,590
Other than personnel services	34,457,867	25,000	-	-	(355,833)	34,127,034
Interest expense	1,277,004	361,289	-	-	-	1,638,293
Total Operating Expenses	135,591,461	386,289	-	-	(355,833)	135,621,917
Operating Income (Loss) before Depreciation and Amortization	5,820,385	(30,456)	1,104	-	-	5,791,033
Depreciation and amortization	3,136,909	750,885	-	-	-	3,887,794
Income (Loss) from Operations	2,683,476	(781,341)	1,104	-	-	1,903,239
NON-OPERATING REVENUE						
Grants and contracts for construction projects	247,404	-	-	-	-	247,404
Unrealized gain on investments	(145,025)	-	-	-	-	(145,025)
Total Non-Operating Revenue	102,379	-	-	-	-	102,379
Change in net assets without donor restrictions	2,785,855	(781,341)	1,104	-	-	2,005,618
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS						
Contributions	7,550,000	-	-	-	-	7,550,000
Net assets released from restrictions	(1,424,444)	-	-	-	-	(1,424,444)
Change in net assets with donor restrictions	6,125,556	-	-	-	-	6,125,556
Change in net assets	8,911,411	(781,341)	1,104	-	-	8,131,174
NET ASSETS (DEFICIT)						
Beginning of year	61,610,004	(3,671,207)	32,222	189,778	(189,778)	57,971,019
End of year	$ 70,521,415	$ (4,452,548)	$ 33,326	$ 189,778	$ (189,778)	$ 66,102,193

See independent auditors' report

The Institute for Family Health and Affiliates

Supplemental Information and Uniform Guidance
Reports and Schedules

December 31, 2019 and 2018

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, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 17, 2020.

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.

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 consolidated 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.

PKF O'Connor Davies, LLP

Harrison, New York
August 17, 2020

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, 2019. 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 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 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, 2019.

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
December 17, 2020

The Institute for Family Health and Affiliates

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

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				
United States Department of Health and Human Services Direct Programs				
Affordable Care Act (ACA) Grants for New and Expanded Services under Under the Health Center Program	93.527		$ -	$ 6,932,285
Consolidated Health Center Program	93.224		-	2,913,501
Total Department of Health and Human Services Direct Programs			-	9,845,786
United States Department of Health and Human Services Pass-Through Programs: Passed-through Care for the Homeless				
Consolidated Health Center Program	93.224	*Not available*	-	799,162
Total Health Centers - Cluster			-	10,644,948
Other Programs				
United States Department of Health and Human Services Direct Programs:				
Community Programs to Improve Minority Health Grant Program	93.137		110,424	368,207
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738		68,545	727,960
Advanced Nursing Education Workforce Grant Program	93.247		-	172,460
Affordable Care Act - Teaching Health Center Graduate Medical Education Payments Program	93.530		-	6,364,288
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		-	462,198
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		50,037	747,245
Total Department of Health and Human Services Direct Programs			229,006	8,842,358
United States Department of Health and Human Services Pass-Through Programs: Passed-through New York State Department of Health				
Medical Assistance Program	93.778	*C-028974*	-	111,907
HIV Care Formula Grants	93.917	*5165-02, 5165-03*	-	202,885
Maternal and Child Health Services Block Grant to the States	93.994	*C32395GG*	-	32,737
Immunization Grants	93.268	*Not available*	-	486,135
Passed-through Maternal Infant Services Network				
Medical Assistance Program	93.778	*C-028918*	-	21,967
Children's Health Insurance Program	93.767	*C028918*	-	3,681
Passed-through Fedcap Rehabilitation Services, Inc.				
Medical Assistance Program	93.778	*Not available*	-	19,572
Temporary Assistance for Needy Families	93.558	*Not available*	-	39,876
Passed-through New York City Department of Health and Mental Hygiene				
Immunization Grants	93.268	*Not available*	-	709,584
Passed-through Health Research Inc.				
Organized Approaches to Increase Colorectal Cancer Screening	93.800	*5428-2*	-	40,960
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	*5428-3*	-	83,162
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	*5450-02*	-	35,500

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 New York State Office of Children and Family Services				
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	93.870	*C27884*	-	284,551
Passed-through Mt. Sinai School of Medicine				
Human Genome Research	93.172	*Not available*	-	40,619
Passed-through Ellenville Regional Hospital				
Telehealth Programs	93.211	*Not available*	-	28,429
Rural Health Care Services Outreach, Rural Health Network Research and Training in Complementary and Integrative Health	93.213	*Not available*	-	26,193
Development and Small Health Care Provider Quality Improvement Program	93.912	*Not available*	-	47,113
Passed-through NIH Small Business Fund				
Mental Health Research Grants	93.242	*Not available*	16,446	101,028
Passed-through Public Health Solutions				
HIV Emergency Relief Project Grants	93.914	*16-MHV-642*	-	588,922
HIV Emergency Relief Project Grants	93.914	*18-CCR-642*	-	244,907
Total United States Department of Health and Human Services Pass-through Programs			16,446	3,149,728
Total United States Department of Health and Human Services			245,452	22,637,034
United States Department of Justice				
Services for Trafficking Victims	16.320	*Not available*	-	164,235
Corporation for National and Community Service				
Passed-through the Hope Program				
Social Innovation Fund	94.019	*Not available*	-	13,189
United States Department of Agriculture				
Passed-through Fedcap Rehabilitation Services, Inc.				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	*Not available*	-	36,824
Passed-through New York State Department of Health				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	*C-30362GG*	37,008	58,775
Passed-through New York State Department of Health				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	*C30433GG*	-	3,307,864
Total United States Department of Agriculture			37,008	3,403,463
Total Expenditures of Federal Awards			$ 282,460	$ 26,217,921

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

The Institute for Family Health and Affiliates

Notes to Expenditures of Federal Awards
Year Ended December 31, 2019

NOTE 1 - Basis of Presentation

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, 2019. 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 - 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.

NOTE 3 - Non-Cash Awards

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, 2019 were approximately $2,200,000 and is included in the Schedule. There are no further non-cash assistance awards that should be included in the Schedule.

NOTE 4 - Indirect Cost Rate

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, 2019

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 US GAAP:	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 Numbers	Name of Federal Program or Cluster
93.224 and 93.527	Health Center Program Cluster
93.914	HIV Emergency Relief Project Grants
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
93.738	Racial and Ethnic Approaches to Community Health

Dollar threshold used to distinguish between Type A and Type B programs:	$786,698
Auditee qualified as low-risk auditee?	___X___ yes _______ no

Section II - Financial Statement Findings

During our audit, we noted no findings for the year ended December 31, 2019.

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

None