COLLIER HEALTH SERVICES, INC. dba HEALTHCARE NETWORK OF SOUTHWEST FLORIDA AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION TOGETHER WITH REPORTS OF INDEPENDENT AUDITOR

YEARS ENDED MARCH 31, 2017 AND 2016

TABLE OF CONTENTS

TUSCAN
& Company, PA
Certified Public Accountants & Consultants

Affiliations
Florida Institute of Certified Public Accountants
American Institute of Certified Public Accountants
Private Companies Practice Section
Tax Division

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Collier Health Services, Inc.
dba Healthcare Network of Southwest Florida and Affiliates
1454 Madison Avenue West
Immokalee, FL 34142

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Collier Health Services, Inc. (a not-for-profit organization) dba Healthcare Network of Southwest Florida and Affiliates which comprise the consolidated statements of financial position as of March 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended which include the accompanying financial statements of Integral Health Plan, Inc. d/b/a/ Integral Quality Care, which comprise the statement of net assets in liquidation as of December 31, 2016 and March 31, 2016; the related statement of changes in net assets in liquidation for the period from April 1, 2016 through December 31, 2016 ; the related statement of changes in net assets in liquidation for the period from November 2, 2015 through March 31, 2016 (see Note W); and the related statement of operations changes in net assets for the period from April 1, 2015 through November 1, 2015 (going concern basis); and the related notes to the financial statements; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Integral Health Plan, Inc., an affiliate, which represent total assets of $38,739,483 and $43,076,233 as of December 31, 2016 and March 31, 2016, respectively, total net assets of $37,739,483 and $35,148,635 as of December 31, 2016 and March 31, 2016 , respectively, and the total revenues and support of $5,634,917 and

$207,291,599, respectively, for the periods then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Integral Health Plan, Inc., is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditor's 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 Organization'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 Organization'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, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates as of March 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, except the financial statements referred to above present fairly, in all material respects, the net assets in liquidation of Integral Health Plan, Inc. d/b/a/ Integral Quality Cares as of December 31, 2016 and March 31, 2016; the changes in its net assets in liquidation for the period from April 1, 2016 through December 31, 2016; the changes in its net assets in liquidation for the period November 2, 2015 through March 31, 2016; and the results of its operations and cash flows for the period from April 1, 2015 through November 1, 2015 (going concern basis), in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the consolidated financial statements, the Integral Health Plan, Inc.'s Board approved a plan of liquidation on November 2, 2015, and determined liquidation was imminent. As a result, Integral Health Plan, Inc. changed its basis of accounting for periods subsequent to November 1, 2015 from the going-concern basis to a liquidation basis. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates taken as a whole. The accompanying consolidated schedule of expenditures of federal awards and state financial assistance for the year ended March 31, 2017 and the notes thereto are presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance), the Florida Single Audit Act (FS. Chapter 215.97) and State of Florida Chapter 10.650 "Rules of the Auditor General" and are 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 accompanying consolidated schedule of expenditures of federal awards and state financial assistance for the year ended March 31, 2017 and the notes thereto are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

The accompanying consolidating statements of financial position as of March 31, 2017 and 2016, and consolidating statements of activities for the years then ended, are presented for purposes of additional analysis and are 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 audits 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 taken as a whole.

Other Information

The Exhibit - Management's Response to Independent Auditor's Report to Management, is not a required part of the consolidated financial statements but is required by Government Auditing Standards. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2017 , on our consideration of Collier Health Services, Inc. dba Healthcare Network of Southwest Florida 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' internal control over financial reporting and compliance.

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
September 26, 2017

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2017 and 2016

ASSETS		2017		2016
CURRENT ASSETS				
Cash and cash equivalents, including restricted amounts	$	3,107,511	$	16,309,104
Certificates of deposit, including restricted amounts		444,746		443,194
Investments		29,268,325		12,036,891
Patient receivables, net		5,725,238		4,712,189
Pledges receivable		307,043		44,986
Grants receivable		937,306		5,168
Other receivables		139,191		217,083
Cash held in escrow for wind-down services		-		2,605,183
Cash restricted - IPDA		8,269,444		8,269,444
Cash held in escrow for lease		-		1,600,000
Inventory		265,459		251,820
Prepaid expenses		62,075		66,068
TOTAL CURRENT ASSETS		48,526,338		46,561,130
PLEDGES RECIEVABLE, NET		1,059,945		212,858
NOTE RECEIVABLE MOLINA HEALTHCARE OF FLORIDA		-		6,663,228
PROPERTY AND EQUIPMENT, NET		13,013,599		12,354,613
OTHER ASSETS		725,854		854,864
TOTAL ASSETS	$	63,325,736	$	66,646,693
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$	1,627,624	$	5,263,896
Accrued liabilities		1,768,706		1,561,022
Medical claims payable		-		3,130,694
Pension Plan payable		415,427		108,675
Primary care physicians supplemental payable		-		143,339
OPEB Liability		481,078		533,748
Current portion of note and mortgage payable		67,561		30,675
Current portion of capital lease payable		183,271		172,000
TOTAL CURRENT LIABILITIES		4,543,667		10,944,049
ACCRUED COMPENSATED ABSENCES		961,234		1,255,786
NOTE AND MORTGAGE PAYABLE, NET OF CURRENT PORTION		3,422,208		2,793,904
CAPITAL LEASE PAYABLE, NET OF CURRENT PORTION		1,499,031		1,682,304
COMMITMENTS AND CONTINGENCIES		-		-
TOTAL LIABILITIES		10,426,140		16,676,043
NET ASSETS				
Unrestricted		50,200,842		49,204,039
Unrestricted, Board designated		564,716		163,118
TOTAL UNRESTRICTED NET ASSETS		50,765,558		49,367,157
TEMPORARILY RESTRICTED		2,134,038		603,493
PERMANENTLY RESTRICTED		-		-
TOTAL NET ASSETS		52,899,596		49,970,650
TOTAL LIABILITIES AND NET ASSETS	$	63,325,736	$	66,646,693

The accompanying notes are an integral part of this statement.

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended March 31, 2017 and 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS				
REVENUES AND SUPPORT				
Federal and State grants	$ 10,302,438	$ -	$ -	$ 10,302,438
Medicaid premium revenues	3,629,955	-	-	3,629,955
Patient service fees, net	33,063,484	-	-	33,063,484
In-kind contributions	3,972,531	-	-	3,972,531
Other	2,392,486	-	-	2,392,486
Management fees	492,500	-	-	492,500
Contributions	548,126	1,700,189	-	2,248,315
Other grants	303,779	-	-	303,779
Investment income, net of fees and costs	540,664	-	-	540,664
Gain on sale of property and equipment	41,430	-	-	41,430
Sale of medicaid business	-	-	-	-
TOTAL REVENUE AND SUPPORT	55,287,393	1,700,189	-	56,987,582
Net Assets Released from Restrictions	169,644	(169,644)	-	-
TOTAL	55,457,037	1,530,545	-	56,987,582
EXPENSES				
Program services	47,123,029	-	-	47,123,029
Supporting services	6,272,230	-	-	6,272,230
Fundraising	663,377	-	-	663,377
TOTAL EXPENSES	54,058,636	-	-	54,058,636
INCREASE (DECREASE) IN NET ASSETS	1,398,401	1,530,545	-	2,928,946
NET ASSETS, BEGINNING OF YEAR	49,367,157	603,493	-	49,970,650
ADJUSTMENTS - SEE NOTE W	-	-	-	-
NET ASSETS, BEGINNING, AS RESTATED	49,367,157	603,493	-	49,970,650
NET ASSETS, END OF YEAR	$ 50,765,558	$ 2,134,038	$ -	$ 52,899,596

The accompanying notes are an integral part of this statement.

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 9,196,753	$ -	$ -	$ 9,196,753
149,673,672	-	-	149,673,672
25,330,164	-	-	25,330,164
2,290,689	-	-	2,290,689
1,026,598	-	-	1,026,598
474,892	-	-	474,892
1,014,709	-	-	1,014,709
404,677	-	-	404,677
3,138	-	-	3,138
-	-	-	-
57,613,951	-	-	57,613,951
247,029,243	-	-	247,029,243
65,692	(65,692)	-	-
247,094,935	(65,692)	-	247,029,243
191,224,968	-	-	191,224,968
6,111,594	-	-	6,111,594
509,749	-	150,000	659,749
197,846,311	-	150,000	197,996,311
49,248,624	(65,692)	(150,000)	49,032,932
8,137,844	669,185	150,000	8,957,029
(8,019,311)	-	-	(8,019,311)
118,533	669,185	150,000	937,718
$ 49,367,157	$ 603,493	$ -	$ 49,970,650

The accompanying notes are an integral part of this statement.

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years ended March 31, 2017 and 2016

	2017			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
FUNCTIONAL EXPENSES				
Salaries	$ 21,723,366	$ 3,312,425	$ 444,877	$ 25,480,668
Payroll taxes	1,423,934	225,839	-	1,649,773
Fringe benefits	2,954,105	515,244	-	3,469,349
Charitable contributions	-	46,805	-	46,805
Computer	1,200,389	190,384	9,019	1,399,792
Equipment lease	670,685	106,372	-	777,057
Facility lease and related	1,057,760	661,496	48,855	1,768,111
Fundraising	45,555	7,225	-	52,780
In-kind	3,478,797	-	-	3,478,797
Insurance	277,816	78,430	-	356,246
Interest and bank fees	63,586	246,618	-	310,204
Legal, audit and consulting	467,250	373,052	-	840,302
Maintenance and repairs	483,914	76,750	-	560,664
Management fees	-	6,399	-	6,399
Marketing	38,786	-	-	38,786
Reinsurance premiums	(37,263)	-	-	(37,263)
Medical services, net	-	-	-	-
Other	2,477,444	34,057	112,688	2,624,189
Patient care	8,011,990	-	-	8,011,990
Printing	35,359	5,607	9,809	50,775
Postage	30,520	4,840	-	35,360
Supplies	318,557	50,524	26,657	395,738
Training	112,056	7,998	8,385	128,439
Travel	209,045	42,806	-	251,851
Utilities	855,908	135,749	3,087	994,744
Bad debt	318,000	-	-	318,000
Vehicle	107,551	17,058	-	124,609
	46,325,110	6,145,678	663,377	53,134,165
Depreciation and amortization	797,101	126,422	-	923,523
Unrealized loss	818	130	-	948
TOTAL EXPENSES	$ 47,123,029	$ 6,272,230	$ 663,377	$ 54,058,636

The accompanying notes are an integral part of this statement.

2016			
	Supporting Services		
Program Services	Management and General	Fundraising	Total Expenses
$ 16,742,816	$ 3,459,109	$ 259,616	$ 20,461,541
1,299,520	239,743	16,723	1,555,986
2,951,163	495,215	21,965	3,468,343
-	52,806	188,227	241,033
1,077,654	87,737	14,029	1,179,420
447,022	81,421	304	528,747
823,033	410,849	83,268	1,317,150
22,294	28,773	-	51,067
2,290,689	-	-	2,290,689
219,686	74,954	-	294,640
288,128	246,849	975	535,952
244,324	433,483	-	677,807
403,725	73,535	-	477,260
9,099,170	-	-	9,099,170
61,381	11,180	8,941	81,502
(126,692)	-	-	(126,692)
136,845,987	-	-	136,845,987
9,712,275	10,327	29,977	9,752,579
5,854,154	-	-	5,854,154
34,200	6,229	10,714	51,143
31,182	5,679	28	36,889
285,445	51,991	9,660	347,096
83,669	5,724	3,195	92,588
249,055	45,443	9,910	304,408
774,836	139,073	2,060	915,969
218,181	-	-	218,181
105,154	19,153	-	124,307
190,038,051	5,979,273	659,592	196,676,916
1,186,917	132,321	157	1,319,395
-	-	-	-
$ 191,224,968	$ 6,111,594	$ 659,749	$ 197,996,311

The accompanying notes are an integral part of this statement.

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets		
and other operating activities	$ 2,928,946	$ 49,032,932
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities		
Depreciation	923,523	1,153,363
Amortization of deferred charge	-	166,032
Provision for uncollectible accounts	523,209	218,181
(Gain) loss on disposal of fixed assets	(41,430)	10,288
(Gain) from sale of Medicaid business	-	(57,613,951)
Changes in:		
Patient accounts receivable, net	(1,536,258)	(774,030)
Pledges receivable, net	(1,109,144)	(257,844)
Grants receivable	(932,138)	5,734
Other receivables	77,892	1,430,742
Assets held in trust	-	(17,340)
Restricted cash - IPDA	-	1,626,125
Cash held in escrow for wind-down services	2,605,183	(2,605,183)
Cash held in escrow for lease	1,600,000	(1,600,000)
Inventory	(13,639)	(24,586)
Due from management service provider	-	10,142,361
Due from employee	-	67,252
Prepaid expenses	3,993	650,801
Other assets	129,010	(307,298)
Accounts payable	(3,636,272)	2,529,654
Medical claims payable	(3,130,694)	(23,506,831)
Pension plan payable	306,752	(331,434)
Accrued liabilities	207,684	595,641
Primary care physicians supplemental payable	(143,339)	(1,885,724)
Due to management service provider	-	(10,575,644)
Assets held in trust and other	-	17,340
Unearned revenue	-	(257,665)
OPEB liability	(52,670)	(179,757)
Net increase (decrease) in compensated absences	(294,552)	254,292
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,583,944)	(32,036,549)

The accompanying notes are an integral part of this statement.

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	$ (1,541,079)	$ (2,241,743)
Proceeds from sale of Medicaid business	6,663,228	46,531,716
Redemptions (Incr) of certificates of deposit	(1,552)	530,968
Investment income activity, net	540,664	3,138
Purchases of certificates of deposit	-	-
Purchases of investments, net	(17,772,098)	(5,969,577)
Redemption of long term investments	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(12,110,837)	38,854,502
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt	$ 716,000	$ -
Principal payments on notes payable	(50,810)	(4,150,306)
Principal payments on capital lease payable	(172,002)	(160,648)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	493,188	(4,310,954)
NET INCREASE (DECREASE) IN CASH	(13,201,593)	2,506,999
CASH, BEGINNING OF YEAR	16,309,104	13,802,105
CASH, END OF YEAR	$ 3,107,511	$ 16,309,104

SUPPLEMENTAL DISCLOSURE:

Cash paid for interest expense	$ 310,204	$ 535,952

The accompanying notes are an integral part of this statement.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and nature of operations

These financial statements present the consolidated financial results of Collier Health Services, Inc., Integral Health Plan (IHP) and the Collier Health Services Foundation, Inc. (Foundation), with all significant balances and transactions between the entities eliminated. Together, Collier Health Services, Inc., IHP and the Foundation are referred to in the notes to the consolidated financial statements as the "Organization". IHP and the Foundation are collectively referred to as "Affiliates" in these consolidated/consolidating financial statements and related notes.

Collier Health Services, Inc. d/b/a (doing business as) Healthcare Network of Southwest Florida (HCN) was originally founded under the laws of Florida as a not-for-profit organization in 1977 by a group of community leaders to provide primary medical and dental service to migrant and seasonal farm workers, rural poor and other citizens in Collier County, Florida. HCN's current mission is to provide quality healthcare accessible to everyone in the community. Specifically, HCN provides children's medical care, family medical care, women's medical care, behavioral care as well as dental care through their various locations and two (2) mobile units. The services are available to the general public but are substantially utilized by those qualified under the various "low income" standards and by domestic, agricultural, migrant and seasonal workers, most of whom are disadvantaged. HCN is a significant Medicaid provider and serves insured and uninsured patients. HCN is a Federally Qualified Health Center (FQHC) and charges for services are based upon a patient's ability to pay in accordance with federal guidelines. HCN has elected a March 31 fiscal year-end.

Integral Health Plan, Inc. ("IHP") was incorporated on January 12, 2009, under the laws of Florida as a not-for-profit organization to manage the care of assigned Medicaid members beneficiaries in the State of Florida. IHP operates under the name of Integral Quality Care. IHP was initially funded by Collier Health Services (HCN). Since HCN is the majority member of IHP, IHP is therefore consolidated into HCN for financial reporting purposes. IHP has elected a December 31 fiscal year-end. However, these consolidated financial statements include audited financial statements for IHP for the nine month period and the twelve month period as of and for the periods ended December 31, 2016 and March 31, 2016, respectively. IHP's primary purpose is to provide quality healthcare within a managed care framework.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Organization and nature of operations, continued

IHP had a contract with the State of Florida Agency for Health Care Administration (AHCA) under the Florida's Statewide Medicaid Managed Care (SMMC) program. The SMMC program was implemented by AHCA in 2014 and requires IHP to provide healthcare services to its beneficiaries on a capitated per-member, per month (PMPM) premium.

IHP began enrolling members in April 2010 under the previous Florida Medicaid Program. All of IHP's premium revenue was earned from its contract with State of Florida Medicaid (AHCA).

On August 3, 2015, the Board of Directors (Board) of IHP approved (a sale) an Asset Purchase Agreement (APA) with Molina Healthcare of Florida, Inc. (MHF) with an effective date of November 1, 2015. As per the APA, MHF assumed IHP's Medicaid business in exchange for cash and a note receivable, leaving IHP responsible for all open and remaining claims and other liabilities incurred before the transaction date. The APA also includes a covenant not to compete for five years.

IHP's Board approved a plan of liquidation on November 2, 2015 because IHP determined liquidation was imminent. As a result, IHP changed its basis of accounting for periods subsequent to November 1, 2015 from the going-concern basis to the liquidation basis.

The Collier Health Services Foundation, Inc. (the "Foundation") was incorporated on January 31, 2007, under the laws of Florida as a not-for-profit organization to support the programs and services of HCN. The Foundation on October 31, 2008 changed its name to CHS Healthcare Foundation, Inc. The Foundation subsequently registered with the State of Florida to do business as (dba) Healthcare Network of Southwest Florida Foundation on July 9, 2012. The Foundation exclusively solicits contributions on behalf of HCN. Therefore, the Foundation is consolidated into the HCN financial statements for financial reporting purposes. The Foundation has elected a March 31 fiscal year end.

The following is a summary of the significant accounting policies used in the preparation of these financial statements:

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of accounting

The Organization prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Liquidation Basis of Presentation-Period Beginning on and Subsequent to November 2, 2015

IHP adopted provisions of and applied on a prospective basis the Liquidation Basis of Accounting, as of November 2, 2015. The liquidation basis of accounting requires IHP to estimate net cash flows from operations and to accrue all costs associated with implementing and completing the plan of liquidation, and requires management to make estimates that affect the amounts reported in the financial statements and related notes.

Under the liquidation basis of accounting, the financial statements are meant to represent IHP's expected resources and obligations in liquidation. Assets are required to be measured and presented at the estimated amounts of cash expected to be collected in settling or disposing of the asset. If estimable, income and costs that are expected to be incurred through the end of its liquidation are accrued as are any estimated costs to dispose of assets and costs to implement the liquidation. The effect of the initial measurement of the change in accounting basis from going concern basis to liquidation basis is accounted for and presented as the cumulative effect of a change in accounting as of and for the period ended March 31, 2016.

To the extent there are any changes in IHP's initial measurement, there will be changes reflected in the Statement of Changes in Nets Assets in Liquidation on a current period basis. As cash is received or paid consistent with the IHP's initial estimates, there will be no change to the Net Assets in Liquidation.

As of December 31, 2016, the Statement of Net Assets in Liquidation includes costs to liquidate the assets of IHP, and to settle contingent liabilities and future administrative costs and professional fees, as necessary.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of accounting, continued

IHP was released from its obligations to AHCA on December 31, 2016 and anticipates all expenses to be paid and released from its obligations under other contracts by March 31, 2017. At that time, the Board will determine the appropriate use or distribution of the remaining net assets in accordance with IHP's mission.

However, the projected remaining wind down period could be either shortened or lengthened by other matters not currently known to management and if the timing changes, the actual incurred costs may be different than estimated and may affect the net assets in liquidation and actual cash flows.

Going Concern Basis of Accounting - Periods Prior to November 2, 2015
The financial statements for IHP for the periods prior to November 2, 2015 were prepared on a going concern basis of accounting which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

Financial statement presentation

The accounting and reporting policies of the Organization are in accordance with the auditing and accounting standards issued by the American Institute of Certified Public Accountants in its audit guide, "Not-for-Profit Organizations" and the accounting standards issued by the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC).

Cash and cash equivalents

Cash is stated at the book balance which approximates fair value. Cash is comprised of cash on hand, depository accounts and money market accounts. The Organization maintains cash balances at various financial institutions to reduce its concentration of risk and to maximize its benefit from FDIC insurance coverage. The cash and cash equivalents, at each institution, are insured by the Federal Deposit Insurance Corporation up to $250,000 per institution.

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash Restricted - IPDA

IHP has an Insolvency Protection Deposit Account (IPDA) whereas it was required by the State of Florida Agency for Health Care Administration (AHCA) to deposit 5% of monthly revenues until 2% of the contracted amount of $480 million (or $9.6 million) was attained. The account balances as of March 31, 2017 and March 31, 2016 was $8,269,444, respectively. In January 2017, this amount was released and deposited in IHP's unrestricted cash account.

Cash Held in Escrow for Wind-Down - Liquidation Basis

Escrow for Wind-Down Services
In October 2015, IHP entered into a Wind-Down Services Agreement with its third party administrator. Approximately $3.7 million of the proceeds from the APA was deposited into an escrow fund account and will be reduced by the monthly management fee and bonus payments as agreed upon through the end of calendar 2016. The account balance at March 31, 2016 was $2,605,183. At December 31, 2016 the total amount had been paid out. Therefore, the balance at March 31, 2017 was $0.

Cash Held in Escrow for Lease

Approximately $1.6 million of the proceeds from the APA was deposited into an escrow account to secure IHP's obligations under its noncancellable lease arrangement. When a new tenant is found to replace IHP, the Escrow Agreement and related Settlement Agreement requires IHP to make the landlord economically whole, as if IHP completed its full term of the lease. In the event the new tenant pays a lease rate lower than IHP's lease rate, the rent deficiency will be calculated and the amount of the computed deficiency will be released from the escrow account to the landlord.

Effective September 15, 2016, IHP entered into an assignment and assumption of lease with an unrelated third party (Assignee) whereby the Assignee, with the consent of the landlord, assumed the lease. IHP was released from the lease by the landlord and paid out of the escrow funds approximately $673,000 which included the rent deficiency to the landlord and brokers leasing commissions. At that time the escrow balance of approximately $927,000 was released to IHP. Total amount paid to the landlord for rent including the settlement amount approximated $1.2 million.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Performance Bond

IHP had an agreement with AHCA to manage services under Florida's SMMC program. In connection therewith, IHP delivered a $15 million performance bond. This bond expired in March, 2016.

Investments

Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values on the consolidated statements of financial position. Gains and losses are determined using the specific identification method when securities are sold or matured. Unrealized gains and losses are included in the change in net assets on the consolidated statements of activities.

HCN has designated substantially all of the investments held by IHP as trading. Investments in debt and equity securities with readily determinable fair values are measured at fair value using quoted market prices. Investment income includes realized and unrealized gains and losses on trading securities, interest and dividends.

Deferred Contract Acquisition Charges

Financial Accounting Standards Board (FASB) Accounting Standards Update *(ASU) No. 2010-26, Financial Services – Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* (a consensus of the FASB Emerging Issues Task Force), requires that only acquisition costs that are directly related to the successful acquisition of a contract can be capitalized as deferred acquisition costs. IHP incurred costs associated with its bid proposal for the Florida Invitation to Negotiate for the SMMC Program and region expansions beginning in 2013 through the contract commencement date of June 1, 2014. These costs included consulting, legal, and financing expenses and were being amortized over 55 months, the term of the new contract. IHP assesses deferred contract acquisition charges for impairment when events or changes to circumstances indicate the carrying amount may not be recoverable. Losses, if any, are charged to operations in the period of impairment.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Deferred Contract Acquisition Charges, continued

Amortization expense related to deferred contract acquisition costs for the period from April 1, 2015 through November 1, 2015 was $166,032.

Liquidation Basis
Pursuant to the liquidation basis of accounting, IHP wrote off approximately $900,000 of remaining deferred acquisition costs, which are included in the accompanying statement of changes in net assets in liquidation (Note W) as part of the cumulative effect of accounting change to liquidation basis of accounting.

Receivables and allowance for uncollectible accounts

The Organization accounts for potential losses in accounts receivable utilizing the allowance method. The Organization maintains an allowance for uncollectible accounts at an amount that it believes is sufficient to provide adequate protection against future losses. Provisions for losses are determined principally on the basis of experiences in the preceding months, taking into account historical collection rates for various categories of payees. All accounts or portions thereof deemed to be uncollectible are written off to the allowance for uncollectible accounts.

Inventory

Inventories of pharmaceutical and consumable supplies on hand are stated at the lower of cost or market using the first-in first-out inventory method. Inventory balances are substantially comprised of pharmaceutical goods.

Other Assets

The equity investment in Lee County Electric Cooperative, Inc. (“LCEC”) is valued by LCEC based on the electric fees paid by the Organization to LCEC. For each year that LCEC earns a positive net margin, a percentage of what is paid for electricity is credited to HCN as equity. The overall investment value is the accumulation of equity credits received over the life of HCN’s membership with LCEC. Equity distributions are approved at the discretion of the LCEC Board of Trustees and are shown as a reduction in the investment balance.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and equipment

Property and equipment (fixed assets) are recorded at original cost, or if donated, at fair market value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Organization capitalizes assets with a cost or donated fair value of $5,000 or more and a useful life of one year or more. For the years ended March 31, 2017 and 2016, debt related interest costs were capitalized as part of property and equipment in the amount of $0 and $0, respectively.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to earnings.

IHP assesses property and equipment for impairment when events or changes to circumstances indicate the carrying amount may not be recoverable.

Property and equipment held under capital leases is recorded at the present value of minimum lease payments over the term of the lease and is amortized using the straight-line method over their estimated useful lives. At March 31, 2017 and 2016, the Organization held assets after accumulated amortization in the amount of $1,951,810 and $2,056,762, respectively, under capital leases.

The Federal government, as well as the State of Florida have rights and/or security interests over certain property and equipment acquired with grant funds, as well as the proceeds from the disposition of such assets.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and equipment, continued

Liquidation Basis
Pursuant to the liquidation basis of accounting, IHP recorded impairments of approximately $900,000 on its property and equipment during the period ended March 31, 2016, which is included in the accompanying statement of changes in net assets in liquidation. The fair market value of these assets was determined by estimating the amount expected to be received upon their ultimate disposal. All such property and equipment owned by IHP was sold during the period ended March 31, 2017.

Impairment of fixed assets

The Organization adheres to the FASB ASC 360-10-50-2 (formerly Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets"). FASB ASC 360-10-50-2 requires, among other things, that entities identify events or changes in circumstances which indicate that the carrying amount of an asset may not be recoverable.

There was no effect on the Organizations' consolidated financial statements resulting from FASB ASC 360-10-50-2 for the years ended March 31, 2017 or 2016 except for approximately $900,000 for the year ended March 31, 2016 due to IHP's conversion to the liquidation basis of accounting, as noted above.

Compensated absences

The Organization's employees are entitled to paid vacation days. The amount accrued is based upon the employee's length of service up to a cumulative maximum of 160 hours or per respective employment contract, if applicable. An accrued liability has been established for the employees' accrued compensated absences.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recognition of donor restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, or when the purpose restriction is met temporarily restricted net assets are reclassified to unrestricted net assets. For the years ended March 31, 2017 and 2016, the Organization had $0 and $0, respectively, permanently restricted net assets.

Support from federal and state grants is recorded based upon the terms of the grantor allotment, which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred.

Current vulnerability due to certain concentrations

HCN is a multi-location medical practice including dental operations. The Organization's operations are concentrated in Collier County. In addition, the Organization as a whole operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the U.S. Department of Health & Human Services (HHS). Such administrative directives, rules and regulations are subject to change by an act of Congress or State Legislature, an administrative change mandated by HHS or other federal, state and local regulatory agencies. Mandated changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Functional expenses

The Organization allocates and classifies its expenses on a functional basis by cost center among its various program and supporting services. The expenses that are directly attributable to the Organizations' programs have been charged directly to the program. Non-direct, non-facility related expenses are allocated to departments by the ratio of patient encounters to the total patient encounters or the ratio of full time equivalent (“FTE”) employees in the department compared to the total number of FTEs. Facility related expenses are allocated according to a percentage of total square footage methodology.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income taxes

The Organization (including HCN, IHP and the Foundation) is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation within the meaning of Section 509(a) of the Code.

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Organization reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities. The informational returns (Form 990) for the prior three (3) fiscal years remain open for examination.

Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, "Income Taxes", prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax position exists for the Organization at March 31, 2017 or 2016.

Accounting for uncertainty in income tax items

The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes and the Organization has adopted this guidance. The Organization has evaluated its tax positions and any estimates utilized in its tax returns, and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expense, if required.

Revenues and support

HCN has agreements with third-party payors that provide for payments at amounts different from established rates including IHP. Patient service fees revenue is reported at the estimated net realizable amounts from patients, third party-payors, and others for services rendered, including estimated retroactive adjustments under

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenues and support, continued

reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Medicaid Premium Revenue
Premiums received from the State of Florida Medicaid (SMMC) program for members are recognized as revenue during the period in which IHP is obligated to provide healthcare services. Medicaid premiums under the contract are paid on a monthly per-member, per-month basis dependent on the member's population group, geographic area and age. HCN also receives Medicaid premiums directly from the State of Florida at an agreed upon rate.

Since IHP sold its Medicaid business, no Medicaid premiums were earned during the year ended March 31, 2017. However, during the year ended March 31, 2016, IHP received from AHCA approximately $1.4 million of capitation payments resulting from prior year's underpayments made by AHCA.

Medical services, net

IHP had entered into hospital service contracts to provide the necessary inpatient and outpatient hospital services to its members. In return, IHP paid the participating hospitals at a negotiated rate based off the State's fee-for-service rates in effect at the time the services were provided to its members. IHP had also entered into several agreements with network physicians and suppliers to provide medical services and supplies to IHP's members at agreed upon fee-for-service rates or at fixed fees per member, per month PMPM (capitation). When members utilized medical services at non-network providers, IHP paid the fee-for-service rates in effect at the time the services were provided to its members.

IHP incurred monthly capitation fees as specified under contracts with certain providers which were assuming some or all of the medical expense risk. Medical services expense and medical claims payable include amounts for known services rendered and an estimate of incurred but not reported (IBNR) services rendered by hospitals, physicians, and other healthcare providers. The estimated IBNR medical

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Medical services, net, continued

claims payable liability has been actuarially determined based on relevant industry data and IHP's historical trends.

Although considerable variability is inherent in such estimates, management believes that the estimates are adequate. These estimates are continually reviewed and adjusted, as necessary, as experience develops or new information becomes known; such adjustments are included in current operations.

Donated materials and services

In-kind contributions include personal services from medical and dental residents and students. The estimated current value of volunteer services is recorded at the same hourly rate that compensated employees receive for comparable duties. Contributions of services are recognized only if services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donations. These contributions are included in the consolidated statements of activities under revenues and support and the related costs are included on the accompanying consolidated statements of functional expenses.

Also a number of other volunteers, including the Board of Directors of all three entities which are consolidated herein, donate significant amounts of their time and expertise to the Organization and its programs. No amounts have been recorded for these donated services inasmuch as no objective basis is available to measure the value of such services.

The Organization receives donated rent for two (2) medical facilities and has recorded a contribution and related rent expense at an amount which approximates the value at a fair market rental value.

Advertising costs

It is the policy of the Organization to expense advertising costs when incurred.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Stop-loss insurance

Stop-loss insurance premiums and recoveries are included in reinsurance premiums, net in the accompanying statements of activities.

Management estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

Reclassifications - IHP

The cumulative effect of accounting change/net assets in liquidation of IHP as presented in the accompanying statement of Changes in Net Assets in Liquidation, Decrease in Nets Assets Resulting from Accounting Change and Net Assets in liquidation as of November 2, 2015 differs from the amounts previously presented in the December 31, 2015 financial statements as a result of reclassifications made for the accrual of lease obligations of $1,924,503 previously recorded as a change in net assets in liquidation.

Subsequent events

Subsequent events have been evaluated through September 26, 2017, which is the date the consolidated financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at March 31:

	2017	2016
Cash on hand	$ 6,225	$ 5,525
Depository, savings and money market accounts		
Restricted	786,549	669,759
Board designated	453,967	52,914
Unrestricted	1,860,770	15,580,906
	$ 3,107,511	$ 16,309,104

NOTE C - CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at March 31:

	2017	2016
Restricted	$ 333,997	$ 332,990
Board designated	110,749	110,204
Unrestricted	-	-
	$ 444,746	$ 443,194

NOTE D - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances, certificates of deposit and interest-bearing State guaranty fund deposit accounts at several financial institutions which at times may exceed federally insured limits. Accounts and certificates of deposit at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per institution. The uninsured bank balances as of March 31, 2017 and 2016, were $2,548,889 and $15,794,619, respectively. As of March 31, 2017 and 2016 the Organization also had $8,269,444 held in accounts that could not determined to be insured by the FDIC. Cash balances held at investment services companies and cash equivalents totaling $9,813,474 and $8,700,287, as of March 31, 2017 and 2016, respectively, are not insured by the FDIC. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. It is management's belief that the uninsured cash and cash equivalents are not HRSA 330 funds.

NOTE E - INVESTMENTS

Investments at fair value consist of the following as of March 31:

	2017	2016
Cash	$ 9,813,474	$ 8,700,287
US govt. agency securities	8,928,878	139,650
Fixed income	10,525,973	3,196,954
Mortgage pools	-	-
	$ 29,268,325	$ 12,036,891

Investment income related to IHP consisted of the following for the nine month period ended December 31, 2016:

	Amount
Interest and dividends	$ 323,542
Realized and unrealized gains and (losses) on trading investments	210,083
Total investment income, net	$ 533,625

As of March 31, 2017 and 2016, investments of $0 and $0, respectively, are considered Board designated.

NOTE F - PATIENT RECEIVABLES

Patient receivables consist of the following at March 31:

	2017	2016
Medicaid	$ 1,147,856	$ 703,797
Medicare	254,761	242,459
Commercial insurance	755,025	886,090
Patient pays	935,384	805,147
Pharmacy	243,798	181,874
Integral wraparound	2,911,623	2,360,743
	6,248,447	5,180,110
Less allowance for doubtful accounts and contractual adjustments	(523,209)	(467,921)
Patient receivables, net	$ 5,725,238	$ 4,712,189

The Organization considers bad debt expense a function of the contractual adjustment and therefore records bad debt expense against its net patient fees. The bad debt adjustments for the years ended March 31, 2017 and 2016, were $318,000 and $218,181, respectively.

NOTE F - PATIENT RECEIVABLES, CONTINUED

A significant amount of the Organization's patient service revenue is derived from Medicaid, Medicare, third party reimbursement programs and private insurance carriers. Payments under the program for services are based on established amounts for the type of service provided. The difference between the charge for the service and the amount received is recorded as a contractual adjustment against patient service fee revenue. Patient receivables are reflected net of anticipated contractual adjustments and bad debt expense. Collection of these receivables are ultimately dependent upon approval to pay by the appropriate payor/carrier/insurer. The Organization establishes an allowance amount based upon known circumstances and collection history. Patient receivables are measured at fair value as determined net of bad debt charge offs and adjustments for an allowance amount.

NOTE G - GRANT RECEIVABLES

Grant receivables consist of the following at March 31:

U.S. Dept. of Health and Human Services	2017	2016
Outpatient Early Intervention Services - HIV	$ 38,044	$ -
Consolidated Health Centers	72,394	-
State of Florida Agency for Health Care Administration (AHCA)		
Community Primary Care Services	818,609	-
Other grants		
Healthy Start	2,678	332
Collier County Rural Health Network	5,581	4,836
	$ 937,306	$ 5,168

Management considers all grant receivables fully collectible at both March 31, 2017 and 2016.

NOTE H - PLEDGES RECEIVABLE - UNCONDITIONAL PROMISES TO GIVE, NET

At March 31, 2017, HCN and Affiliates had net pledges receivable of $1,366,988 (net present value), of which $260,348 were current and $1,106,640 were noncurrent assets. These amounts are deemed by management to be fully collectible. Amounts, after the discount, are expected to be collected as follows:

NOTE H - PLEDGES RECEIVABLE - UNCONDITIONAL PROMISES TO GIVE, NET CONTINUED

Years Ending March 31:	Amount
2018	$ 307,043
2019	234,250
2020	173,105
2021	168,089
2022	161,927
2023-2028	500,000
	$ 1,544,414

Net unconditional promises to give at March 31, 2017 were as follows:

	Amount
Receivable in less than one year - gross	$ 307,043
Receivable in one to ten years - gross	1,237,371
Total unconditional promises receivable to give	1,544,414
Less unamortized discount (net present value discount)	(177,426)
Net unconditional promises to give	$ 1,366,988

Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 4%.

NOTE I - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31:

	2017	2016
Land	$ 3,392,357	$ 3,392,357
Construction in process	86,603	26,794
Buildings and improvements	7,778,419	6,860,019
Leasehold improvements	3,965,794	3,589,299
Medical equipment	1,152,617	890,400
Vehicles	1,169,083	1,146,969
Furniture, fixtures and equipment	2,407,614	2,503,409
	19,952,487	18,409,247
Accumulated depreciation	(6,938,888)	(6,054,634)
	$ 13,013,599	$ 12,354,613

NOTE I - PROPERTY AND EQUIPMENT, CONTINUED

Assets held under capital lease consist of a building and the related land with an original cost of $2,750,000 at March 31, 2017 and 2016, respectively. Depreciation expense of $104,952 and $104,952, respectively, was recorded for the building for the years ended March 31, 2017 and 2016 (which is included in total depreciation expense).

Accumulated depreciation on assets held under capital lease totaled $798,190 and $693,238 at March 31, 2017 and 2016, respectively, and is included in total accumulated depreciation.

Depreciation expense for the years ended March 31, 2017 and 2016, was $923,523 and $1,153,363, respectively.

NOTE J - DEFERRED CONTRACT ACQUISITION COSTS

Deferred contract acquisition costs consist of the following as of March 31:

	2017	2016
Deferred contract acquisition costs	$ -	$ 1,067,352
Less: Accumulated amortization	-	(166,032)
Less: write off - liquidation basis	-	(901,320)
	$ -	$ -

Amortization expense was $166,032 for the period April 1, 2015 through November 1, 2015.

IHP then wrote off the remaining deferred contract acquisition costs of $901,320 on November 2, 2015 due to implementation of the liquidation basis of accounting (see Note W).

NOTE K - ACCRUED LIABILITIES

Accrued liabilities consist of the following at March 31:

	2017	2016
Accrued salaries and wages	$ 1,094,857	$ 833,279
Payroll taxes and other liabilities	151,704	178,367
Accrued lease payments	71,250	71,250
Blue Cross Blue Shield Reserve	185,000	185,000
Low income pool	-	77,906
Other	265,895	215,220
	$ 1,768,706	$ 1,561,022

NOTE L - MEDICAL CLAIMS PAYABLE

Activity for IHP medical claims payable is summarized as follows for the year ended March 31, 2017:

	IHP	Eliminations	Consolidated
Medical claims payable at beginning of year	$ 3,130,694	$ -	$ 3,130,694
Incurred related to:			
Current year	-	-	0
Prior periods IBNR ADJ	-	-	-
Total incurred	-	-	-
Paid related to:			
Current year	-	-	-
Prior years	(3,130,694)	-	(3,130,694)
Total paid	(3,130,694)	-	(3,130,694)
Medical claims payable at end of year	$ -	$ -	$ -

Liailities at any year-end are continually reviewed and restimated as information regarding actual claims payments becomes known. At March 31, 2017 all claims have been paid and no new claims have been incurred since the IHP sold its Medicaid contracts on November 1, 2015.

NOTE L - MEDICAL CLAIMS PAYABLE, CONTINUED

Activity for IHP medical claims payable is summarized as follows for the year ended March 31, 2016:

	IHP	Eliminations	Consolidated
Medical claims payable at beginning of year	$ 26,637,525	$ -	$ 26,637,525
Incurred related to:			
Current year	160,732,249	(3,402,014)	157,330,235
Prior years	(7,780,930)	-	(7,780,930)
Total incurred	152,951,319	(3,402,014)	149,549,305
Paid related to:			
Current year	(157,601,555)	3,402,014	(154,199,541)
Prior years	(18,856,595)	-	(18,856,595)
Total paid	(176,458,150)	3,402,014	(173,056,136)
Medical claims payable at end of year	$ 3,130,694	$ -	$ 3,130,694

Medical claims payable liabilities at any year-end are continually reviewed and re-estimated as information regarding actual claims payments become known.

NOTE M - CAPITAL LEASE

HCN leases medical, dental and administrative office space (main campus in Immokalee) from NCH Healthcare System, Inc., under a capital lease dated September 9, 2009. The economic substance of the lease is that HCN is financing the acquisition of the property through a $2,750,000 capital lease, and accordingly, it is recorded in the HCN's assets and liabilities. The lease is for a period of 15 years with equal quarterly installments of $71,250, maturing in September 2024 with an option to purchase for $572,000. The imputed rate of interest for the lease is 6.364% at March 31, 2017.

	2017	2016
	$ 1,682,302	$ 1,854,304
Current Portion	(183,271)	(172,000)
Long Term Portion	$ 1,499,031	$ 1,682,304

NOTE M - CAPITAL LEASE, CONTINUED

Future minimum lease payments required under the lease are as follows:

Years Ending March 31	Principal	Interest	Total Amount
2018	$ 183,271	$ 101,729	$ 285,000
2019	195,281	89,719	285,000
2020	208,077	76,923	285,000
2021	221,713	63,287	285,000
2022	236,242	48,758	285,000
Thereafter	637,718	52,479	690,197
	$ 1,682,302	$ 432,895	2,115,197
		Less: amount representing interest	(432,895)
			1,682,302
		Less: current portion	(183,271)
		Long term	$1,499,031

Interest expense incurred related to the capital lease was $113,000 and $123,578 for the years ended March 31, 2017 and 2016, respectively.

NOTE N - NOTE AND MORTGAGE PAYABLE

Independent Living Systems, LLC (ILS) provided cash to IHP during the year ended March 31, 2013. The initial principal amount of $4,138,045 accrues interest at 7% per annum. Accrued interest is payable monthly. The principal is payable in full by the maturity date of February 19, 2017. The outstanding principal balance was $4,138,045 as of March 31, 2015.

Interest incurred on the note for the year ended March 31, 2015 was $289,663 of which $48,277 has been classified as deferred contract acquisition charges and recorded in the statement of financial position as of March 31, 2015. Interest incurred on the note for the period from April 1, 2015 through November 1, 2015 was $199,246.

The note was paid in full on November 1, 2015 in connection with the transaction with Molina Healthcare of Florida, Inc.

NOTE N - NOTE AND MORTGAGE PAYABLE, CONTINUED

Note and mortgage payable consists of the following obligations at March 31:

	2017	2016
ILS provided cash to IHP in 2013 pursuant to a promissory note that was issued in March 2013 to fund the bid deposit required in responding to the Florida Invitation to Negotiate for the Statewide Medicaid Managed Care Program. The initial principal amount of $4,138,045 accrues interest at 7% per annum. Accrued interest is payable monthly beginning April 2013. The principal is payable when the deposit is returned from the State of Florida. In February 2014, the note was amended extending the maturity date to February 19, 2017. The note was paid in full in November 2015 in connection with the APA discussed in Note A.	$ -	$ -
Notes payable ($935,000) to financial institution for the purpose of real property in Naples dated December 18, 2014, payable in monthly installments of $6,010 beginning on January 18, 2015. Payments include principal and interest at a fixed rate of 4.62%. The obligation is collateralized by the respective real property in Naples. Final payment is a balloon payment of all remaining outstanding principal and accrued interest ($707,135) due December 18, 2021.	867,904	898,579
Mortgage payable ($2,000,000) for the purchase of land dated March 24, 2014, to a Florida corporation, payable in 48 monthly installments of $14,794 beginning on May 24, 2014. The mortgage was refinanced in May 14, 2015 with a financial institution in the amount of $1,926,000. The new mortgage is due in one principal payment on May 14, 2018. Interest is payable monthly beginning June 14, 2015 at a fixed rate of 2.75%. The obligation is collateralized by the respective real property in Golden Gate.	1,926,000	1,926,000
Mortgage payable ($716,000) to financial institution dated August 5, 2016, to partially fund the purchase of a building to be used as a satellite medical facility in Naples, Florida. The total cost of the purchase was approximately $895,000. The mortgage carries a fixed interest rate of 4.3% and requires 180 monthly payments of principal and interest of $5,436. Final payment is due August 5, 2031. The mortgage is collateralized by a lien not to exceed $2,000,000 on the respective real estate.	695,865	-
	3,489,769	2,824,579
Current Portion	(67,561)	(30,675)
Long-Term Portion	$ 3,422,208	$ 2,793,904

NOTE N - NOTE AND MORTGAGE PAYABLE, CONTINUED

Interest expense incurred related to the notes and mortgage payable was $112,496 and $99,796 for the years ended March 31, 2017 and 2016, respectively.

Principal maturities of the note and mortgage payable are as follows:

Years Ending March 31	Amount
2018	$ 67,561
2019	1,996,683
2020	73,781
2021	77,362
2022	772,093
Thereafter	502,289
	$ 3,489,769

NOTE O - SCHEDULE OF NET ASSETS

Net assets consist of the following at March 31:

	2017	2016
Unrestricted - undesignated	$ 50,200,842	$ 49,204,039
Unrestricted - designated:		
Future operations	163,118	163,118
Capital campaign	401,598	-
Total unrestricted, designated	564,716	163,118
Temporally restricted:		
Care Mobile	142,574	274,160
Mommy & me program - books & ed materials	4,285	4,285
TDAP voucher program - Foundation	262	262
America Cancer Society	6,063	-
Foundation support	1,066,393	282,005
Dental care - Give Kids a Smile	6,491	5,798
Indigent care - adults - Sister V	11,354	1,252
Reach out and read - children's books	8,464	-
Community Foundation - generators - behav health	4,850	1,658
Indigent care - children - Immokalee Foundation	2,127	9,633
Guardian angel fund	3,416	7,378
Wells Fargo - education videos	2,976	2,976
Community Foundation - oxygen machine	3,000	3,000
DSME - mini grant	3,545	5,792
Give kids a smile	5,052	5,294
Mammograms	4,466	-
Capital campaign	821,279	-
Agua grant	18,807	-
Future readiness program	1,000	-
Collier County health facility grants	17,634	5,792
Total temporarily restricted	2,134,038	603,493
Permanently restricted Nursing Scholarship	-	-
	$ 52,899,596	$ 49,970,650

NOTE P - CONTINGENCIES

The Organization is currently receiving, and has received in the past, grants, Medicare, Medicaid and other third party reimbursement funds which are subject to special compliance audits by the grantor or agencies that provide these reimbursements. These audits may result in disallowed expense amounts.

Disallowed amounts, if any, constitute a contingent liability of the Organization. The Organization believes contingent liabilities, if any, are not material. Accordingly, such liabilities are not reflected within the consolidated financial statements.

The Organization is involved from time to time in routine litigation, the substance of which would not materially affect its financial position, due to third party insurance coverage and/or federal tort limits. The Organization is not in a position at either March 31, 2017 or 2016 to predict a final outcome of such lawsuits or claims, or the related costs involved. The Organization intends to vigorously contest all claims unless first settled.

At March 31, 2017, IHP has recorded in accounts payable and accrued liabilities the costs expected to be incurred for professional fees, employee compensation, lease commitments and other expenses to conduct the wind-down of IHP's operations and its ultimate liquidation of approximately $655,000. In addition, IHP has recorded approximately $345,000 as a provision for the payment of all other claims, obligations and any other contingency not presently asserted.

NOTE Q - IN-KIND CONTRIBUTIONS

In-kind contributions represent the fair market values for goods and services donated to the organization as follows for the years ended March 31:

Donor	Item	2017	2016
Florida State University	Rent	$ 453,600	$ 453,600
Florida State University	Utilities & Repairs	197,694	197,694
State of Florida	Vaccines	3,240,199	1,589,395
Collier Health Department	Rent	50,000	50,000
Various	Misc. donated items	31,038	-
		$ 3,972,531	$ 2,290,689

NOTE R - PENSION PLANS AND OTHER EMPLOYEE BENEFITS

401(a) Defined Contribution Plan

The Organization maintains a non-participant directed defined contribution plan (HCN Retirement Plan) which is available to substantially all of its employees after six months of qualified service. The Plan has no minimum age requirement. Participants vest over a six (6) year period of qualified service. Plan entry is April 1st following completion of six months of service. The Plan is administered by a third party. All assets of the Plan are held by a third party trustee. The Plan does not permit employee contributions except rollover contributions.

Normal retirement age is 65 and five (5) years of service. Employer contributions are discretionary, not limited to profits or accumulated profits, and are based on wages. For the years ending March 31, 2017 and 2016 contributions were 8.01% of participants' compensation, plus 5.4% of participants' compensation in excess of 80% of the Social Security taxable wage base plus $1. The Organization's contributions for the years ended March 31, 2017 and 2016, were $1,629,751 and $1,329,373, respectively, and are included in fringe benefits on the consolidated statements of functional expenses. Various distribution methods are available including participant loans and hardship distributions. Participant vesting in the plan is as follows:

Years of Service	% Vesting
2	20%
3	40%
4	60%
5	80%
6	100%

401(k) Defined Contribution Plan (IHP)

IHP sponsors a 401(k) plan for all of its full-time employees. Employees were eligible to participate in the Plan after a prerequisite service period. IHP matched up to the first 6% of employee contributions. Amounts contributed to the Plan by IHP for the period from April 1, 2015 through November 1, 2015 totaled approximately $272,000.

NOTE R - PENSION PLANS AND OTHER EMPLOYEE BENEFITS, CONTINUED

403(b) Tax-Deferred Annuity Plan

The Organization offers an IRC Section 403(b) tax-deferred annuity plan to its eligible employees. The Plan permits only employee salary reduction (deferral) contributions made pursuant to voluntary salary reduction agreements between the employer and its eligible employees. The contributions are excludable from gross income of the eligible employees under the Internal Revenue Code. The Plan does not provide for any other contributions by the employer or eligible employees. Employees are immediately vested in their respective account balances. The Plan is administered by a third party, and all assets of the Plan are held by a third party trustee.

457(b) Deferred Compensation Plan

The Organization offers its senior management employees an opportunity to defer compensation pursuant to a Top-Hat section 457(b) of the Code to supplement such employees' retirement benefits under the employer's retirement plan. Employees are fully vested when plan contributions are made. The amounts are maintained on the Organization's books in a designated account, assets held in trust, and remain the sole property of the Organization and are available to satisfy the claims of all general creditors of the Organization.

Participants may elect to contribute to the Plan. Various distribution options are available.

All section 457(b) Plan assets are held by a trustee, who is also the administrator of the Plan. The aforementioned assets are carried at fair value and included on the Statements of Financial Position as assets held in trust and as a liability - assets held in trust. At March 31, 2017 and 2016 assets held under the section 457(b) Plan were $59,184 and $38,960, respectively.

Other Post Retirement Benefits

The Organization has committed to pay certain post employment healthcare premiums for a former CFO and the CEO. As such, the Organization has actuarially determined the cost of these benefits and recorded the estimated liability. The liability for these benefits was recorded as part of the OPEB liability and was $421,894 and $494,788 for the years ended March 31, 2017 and 2016, respectively.

NOTE S - STATUTORY NET WORTH REQUIREMENT

Under Florida law, IHP is required to maintain, at all times, a surplus amount equal to the greater of $1.5 million, ten percent (10%) of total liabilities, two percent (2%) of the annualized amount of IHP's prepaid revenues or enter into an agreement with another entity to guarantee the surplus requirements. At March 31, 2016, IHP met the surplus requirement. IHP's Medicaid business was sold on November 1, 2015 and therefore, this requirement was no longer in effect.

	2017	2016
Minimum Requirement	$ -	$ 1,500,000
10% of Total Liabilities	-	792,760
2% of Annualized Premium	-	2,970,043
Required Reserve*	-	2,970,043
Actual Surplus (Deficit)	-	35,072,002
Excess/ (Deficiency)	$ -	$ 32,101,959

* Determined to be the greater amount

During the year ended March 31, 2015, IHP experienced a significant reduction in net assets of approximately $8.1 million attributable to a significant reduction in capitation rates payable to IHP, and all Medicaid Contract Holders in Florida, by AHCA based upon AHCA's six month retro-active and prospective application of risk score adjustments that define the capitation revenues for each Medicaid Contract Holder in Florida, as well as rising medical services expenses. Due to the significant reduction in net assets, IHP did not meet its statutory surplus requirement with AHCA as of March 31, 2015.

IHP notified AHCA of the expected shortfall in required surplus in advance of its May 15, 2015, unaudited financial statement submission and has engaged in ongoing discussions that led to IHP filing a corrective action plan (CAP) with AHCA. IHP sold its Medicaid contract business (APA) on November 1, 2015.

NOTE T - STOP-LOSS INSURANCE

IHP is financially responsible for the cost of each member's annual medical services. Annual covered services per member were limited as follows during the years ended March 31:

	Date/Amount	Date/Amount
Effective dates	July 1, 2015-June 30, 2016	July 1, 2014-June 30, 2015
Limits of coverage	$300,000 deductible	$300,000 deductible

Coverage above these stop-loss amounts is provided by a third party insurance company. The maximum reimbursement per beneficiary is limited to $2.5 million through July 2015 and to $2 million through July 2016 in aggregate for all contract years.

For the year ended March 31, 2016, IHP incurred stop-loss insurance premium expense of approximately $336,949, which is offset by stop-loss insurance recoveries in the amount of $463,641 during the period from April 1, 2015 through November 1, 2015, which is included in reinsurance premium, net in the accompanying statement of operations and changes in net assets, included in medical services, net on the statements of functional expenses.

NOTE U - LEASE COMMITMENTS

The Organization leases two administrative facilities, nine (9) clinical sites, storage facilities and housing for medical students under operating leases that expire from April 1, 2015 to February 2018. Facilities rental expense for the years ended March 31, 2017 and 2016, was $1,225,523 and $978,942, respectively and is included in facility lease expense on the consolidated statements of functional expenses.

The Organization also leases (operating type) various office and medical equipment. Equipment rental expense for the years ended March 31, 2017 and 2016, was $489,441 and $388,954 respectively and is included in equipment lease expense on the consolidated statements of functional expenses.

NOTE U - LEASE COMMITMENTS, CONTINUED

IHP leased office space under noncancellable operating leases with escalation clauses commencing in 2014 with expiration dates through August 2020 at two locations in Florida. As discussed in Note B, IHP was released from its lease commitment on its Tampa lease after an unrelated third party assumed the lease. IHP paid approximately $1.2 million during the year ended March 31, 2017 in the final settlement of the Tampa lease. At March 31, 2017, IHP has accrued $56,644 as its future commitment on the Fort Myers lease which expires in May 2018.

Rent expense under noncancellable leases was approximately $181,000 for the period from April 1, 2015 through November 1, 2015. In connection with the adoption of the liquidation basis of accounting, IHP recorded approximately $1.9 million lease obligation as a cumulative effect of accounting change.

Total future minimum lease payments required under facility and equipment operating leases are as follows:

Years Ending March 31	Facility Leases	Equipment Leases	Totals
2018	$ 1,152,650	$ 349,446	$ 1,502,096
2019	497,241	165,602	662,843
2020	441,776	64,097	505,873
2021	360,930	35,744	396,674
2022	-	25,013	25,013
	$ 2,452,597	$ 639,902	$ 3,092,499

At March 31, 2016, cash of approximately $1.6 million was deposited into a cash held in escrow for lease account to secure IHP's lease obligation under the lease agreement for its office facilities. The lease commitment was settled during the period ended December 31, 2016 and all remaining amounts held were released to IHP at that time.

NOTE V - ECONOMIC DEPENDENCE

The operations of the Organization are dependent on the receipt of support and revenue from grantor agencies, and Medicaid. Loss of these funds and/or large decreases in these types of funding would have a material effect on the Organization and a negative impact on overall operations. For the years ended March 31, 2017 and 2016, approximately 75% and 64% of total support and revenue, respectively, was attributable to amounts received for the account classifications listed above.

NOTE W - CORRECTION OF AN ERROR PREVIOUSLY REPORTED IHP FINANCIAL STATEMENTS (LIQUIDATION BASIS)

In connection with the preparation of the March 31, 2016 IHP financial statements, IHP discovered an error in its computation of the cumulative effect of accounting change/net assets in liquidation as previously reported in the financial statements for December 31, 2015, whereby an accrual for the Wind-Down Services Agreement was not recorded as required by the Liquidation Basis of Accounting. The impact of correction of the accounting error is a decrease in net assets in liquidation, as previously reported, as of November 2, 2015 of $3,752,867 as such, additional adjustments were required by the conversion from going concern to liquidation basis as follows:

Integral Health Plan, Inc. (IHP) D/B/A Integral Quality Care
Statement of Changes in Net Assets in Liquidation
For the period from November 2, 2015 through March 31, 2016 (Liquidation Basis)

	Amounts
Net assets as of November 1, 2015	$ 43,167,946
Cumulative effect of accounting change/net assets in liquidation as originally reported	
Impairment of fixed assets	(899,479)
Write-off deferred acquisition costs	(901,320)
Accrual of lease obligation	(1,924,503)
Gain on sale of assets	11,895
Liability of severance and other expenses	(372,928)
Net decrease in net assets resulting from accounting change as reported in the December 31, 2015 financial statements	(4,086,335)
Correction of an error (prior period adjustment)	
Accrual for Wind Down Services Agreement	(3,752,867)
Net decrease in net assets resulting from accounting change, as corrected	(7,839,202)
Net assets in liquidation as of November 2, 2015	35,328,744
Changes in net assets in liquidation	
Change in investments	36,891
Change in other assets	(187,864)
Change in accounts payable and accrued liabilities	(29,136)
Net decrease in net assets in liquidation	(180,109)
Net assets in liquidation as of March 31, 2016	$ 35,148,635

NOTE W - CORRECTION OF AN ERROR PREVIOUSLY REPORTED IHP FINANCIAL STATEMENTS (LIQUIDATION BASIS), CONTINUED

Summary:

	Net Assets
Net decrease in net assets resulting from accounting change for the period April 1, 2015 through November 1, 2015	$ (4,086,335)
Correction of error	(3,752,867)
Net decrease in nets assets in liquidation for the period November 2, 2015 through March 31, 2016	(180,109)
Net change in net assets, beginning	$ (8,019,311)

NOTE X - COMMITMENTS

The Organization maintains a $1,000,000 (increased from $600,000 on November 8, 2016) line of credit with a financial institution. Interest on the line of credit is payable at prime rate. It is collateralized by a lien against accounts receivable, inventory and equipment. There was no activity on the line of credit during the years ended March 31, 2017 or 2016, and there was no outstanding balance on the line of credit as of either year-end. The line of credit expires October 31, 2017.

NOTE Y - FAIR VALUE MEASUREMENTS

In accordance with ASC 820, the Organization uses fair value measurements to record adjustments to certain assets. The ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The ASC also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

NOTE Y - FAIR VALUE MEASUREMENTS, CONTINUED

Level 2 - inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable and allowed in situations where there is little, if any, market activity for the asset or liability at measurement date. These inputs reflect the reporting entity's own assumptions about assumptions that would be used by market participants.

The Organization's accounting policy is to recognize transfers between levels of fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2, or Level 3 during the years ended March 31, 2017 or 2016.

The table below presents assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at March 31, 2017 and 2016:

March 31, 2017	Total	Level 1	Level 2	Level 3
Cash - IHP	$ 9,813,474	$ 9,813,474	$ -	$ -
Mutual Funds - IHP	1,565,696	1,565,696	-	-
Equity Sercurities - IHP	8,928,878	8,928,878	-	-
Fixed income:				
Corporate bonds - IHP	2,149,995	-	2,149,995	-
Treasury Notes - IHP	6,810,282	-	6,810,282	-
Equity investment in LCEC	158,928	-	-	158,928
	$ 29,427,253	$ 20,308,048	$ 8,960,277	$ 158,928

March 31, 2016	Total	Level 1	Level 2	Level 3
Cash - IHP	$ 8,700,287	$ 8,700,287	$ -	$ -
Mutual Funds - IHP	2,838,690	2,838,690	-	-
Equity Sercurities - IHP	139,650	139,650	-	-
Fixed income:				
Corporate bonds - IHP	258,005	-	258,005	-
Treasury Notes - IHP	50,071	-	50,071	-
US Govt Agency securities - IHP	50,188	-	50,188	-
Equity investment in LCEC	157,760	-	-	157,760
	$ 12,194,651	$ 11,678,627	$ 358,264	$ 157,760

NOTE Y - FAIR VALUE MEASUREMENTS, CONTINUED

Level 2: Classifications consist of commingled funds where detailed holdings were available and the funds fair value could be determined based on market prices, such as money markets and certificates of deposits.

Level 3: Classifications consist of the following:

Equity Investment in LCEC - is the value of units of the accumulation of equity credits received over the life of HCN's membership with LCEC (an electrical co-op).

A rollfoward of the fair value measurements using unobservable inputs (Level 3) as of March 31, 2017 and 2016 were as follows:

	2017	2016	
Beginning balance, April 1	$ 157,760	$ 157,760	
Gains included in earnings	1,168	-	*
Purchases, sales and settlements			
Equity distribution	-	-	*
Ending balance, March 31	$ 158,928	$ 157,760	

* No recorded activity during the year ended March 31, 2016.

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, receivables, statutory deposits, inventory, prepaid expenses, deferred contract acquisition charges, accounts payable, various other payables and accrued expenses. The carrying amounts of these items approximate fair value due to the short term nature of the financial instruments.

NOTE Z - RELATED PARTY TRANSACTIONS

The Community Health Centers Alliance, Inc. (the "Alliance") is a not-for-profit corporation incorporated under the laws of Florida. Its stated purpose is to facilitate and improve the quality and delivery of health care to those individuals living in the

NOTE Z - RELATED PARTY TRANSACTIONS, CONTINUED

respective service areas of the incorporating members of the Alliance and such other organizations who may from time to time become members by planning, organizing, developing, and operating a health services network, thereby allowing the members to be better able to serve their patient populations. Membership in the Alliance is composed of the incorporating members and such other not-for-profit community health organizations, organized under Section 330 of the Public Health Service Act. A member of HCN management is a member of the Alliance board of directors until January 2017. The assets, liabilities, and net assets and results of operations of Alliance are not required to be included and are not included in these consolidated financial statements. Alliance is considered a separate third party entity.

Until April 30, 2015, HCN was an incorporating member of Alliance and functioned as a leasing service for Alliance's personnel. For the years ended March 31, 2017 and 2016, HCN billed Alliance $0 and $264,539, respectively, for salaries and fringe benefits it provided to Alliance. As of March 31, 2017 and 2016, $0 and $0, respectively, was due from Alliance and was included in other receivables.

During the years ended March 31, 2017 and 2016, HCN paid Alliance dues totaling $5,000 and $8,500, respectively. HCN paid Alliance for information technology and other services totaled $138,676 and $334,945, respectively, for the years ended March 31, 2017 and 2016. As of March 31, 2017 and 2016, $0 and $54,763, respectively, was due to Alliance and was included in accounts payable.

IT equipment

During the year ended March 31, 2017, HCN purchased IT equipment from IHP in the amount of $37,755.

Medical claims payments

HCN provided healthcare services to assigned members. The aggregate amount of medical claims and capitation paid to HCN by IHP was $1,939,439 for the period from April 1, 2015 through November 1, 2015. IHP used its majority member (HCN) for certain healthcare services.

NOTE Z - RELATED PARTY TRANSACTIONS, CONTINUED

Consulting Fees

For the periods from April 1, 2015 through November 1, 2015 and November 2, 2015 through March 31, 2016, consulting fees of approximately $260,000 and $120,000, respectively, were paid to a company owned by a Board member under a consulting agreement approved by the Board.

For the year ended March 31, 2017, consulting fees of approximately $360,000 were paid to a company owned by a Board member under a consulting agreement approved by the Board. At March 31, 2017, $90,000 was accrued for estimated fees to be incurred until final liquidation and are included in accounts payable and accrued expenses.

NOTE AA - ASSETS HELD IN TRUST

The Organization (employer) has an IRC Section 457(b) deferred compensation plan for a predetermined group of highly compensated management employees. Amounts deferred and earnings attributable to the deferrals are maintained as assets of the Organization and are subject to the claims of the employer's general creditors. This treatment of Plan assets as the property of the employer satisfies the requirement that the Plan be unfunded in order to be exempt from ERISA's minimum participation and vesting provisions, and other ERISA requirements. The Plan allows for contributions from salary reduction agreements and non-elective employer contributions.

All 457(b) Plan assets are held by a third party trustee, who is also the administrator of the Plan. During the year ended March 31, 2015, salary deferrals began to accumulate in the Plan. Plan assets held in trust are carried by the Organization at fair value and are comprised of the following at March 31:

	2017	2016
457(b) deferred compensation plan	$ 59,184	$ 38,960

These amounts are also included in these consolidated financial statements at March 31, 2017 and 2016 as assets held in trust recorded as part of other assets and a similar offsetting liability recorded as part of the OPEB liability.

NOTE BB - SELF INSURANCE

HCN began a self insurance program for its employees' healthcare on May 1, 2015. The Plan absorbs losses up to an aggregate annual limit. Excess and other specific coverages are purchased from third-party carriers. HCN cannot be additionally assessed for claims paid by the program. For the years ended March 31, 2017 and 2016, HCN paid premiums and fees to the Plan of $2,164,244 and $1,666,673, respectively.

HCN acts as the plan administrator and a third party acts as the claim administrator. As of March, 31, 2017, the Plan has an individual participant stop-loss limit of $150,000 and an aggregate plan stop-loss limit of approximately $3,602,289. HCN funded an estimated reserve for claims incurred but not yet reported (IBNR) of $185,000 at March 31, 2017. The Plan purchases excess coverage and other specific coverage from third-party carriers.

There have been no significant reductions in insurance coverage in the last fiscal year. Settled claims have exceeded the commercial coverage in the past fiscal year. The Plan is analyzed annually per Florida Statute Section 112.08 by an actuary and determined to be actuarially sound. For the year ending March 31, 2017, claims exceeded the individual stop loss deductible by $0.

NOTE CC - WIND-DOWN SERVICES AGREEMENT

IHP entered into a Wind-Down Services Agreement with TPA, terminating the management services agreement, to assist IHP with processing all open and remaining claims. In connection with this agreement, IHP paid approximately $3.0 million during the year ended March 31, 2017.

NOTE DD - SUBSEQUENT EVENTS

Subsequent to the year ended March 31, 2017, IHP continued its wind down efforts. At August 31,2017, management reported IHP held approximately $43,000,000 in cash and investments with approximately $400,000 in estimated liabilities. In September 2017, IHP made its first distribution of $2,700,000 of its remaining assets to its three (3) provider member entities. The largest of these distributions was to HCN for $2,666,250. Per the terms of the wind down agreement substantially all IHP remaining assets will be paid to HCN.

IHP intends to continue its distribution of assets monthly with the intent of completing this effort by December 31, 2017 and filing for corporate dissolution upon such final distribution.

SUPPLEMENTARY INFORMATION

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended March 31, 2017

Federal or State Agency & Office/Pass Through Grantor/Program Title	CFDA/CSFA		Pass-Through or Grant Contract Number
U.S. Department of Health and Human Services			
MAJOR (Type A)			
Health Resources and Services Administration (HRSA)			
Consolidated Health Centers Grant	93.224	*	H80CS00735-15-07
Consolidated Health Centers Grant	93.224	*	H80CS00735-14
Consolidated Health Centers Grant	93.224	*	H80CS00735-13
NON-MAJOR (Type B)			
Health Resources and Services Administration (HRSA)			
Outpatient Early Intervention Services - HIV - Ryan White	93.918		H76HA00086-26-02
Outpatient Early Intervention Services - HIV - Ryan White	93.918		H76HA00086-25-01
Passed through Florida State University			FAIN: U1QHP28709
Geriatrics Workforce Enhancement Program	93.969		Subaward # R01836
TOTAL FEDERAL AWARDS			
STATE FINANCIAL ASSISTANCE			
State of Florida Agency for Health Care Administration (AHCA)			
MAJOR (Type A) - STATE AWARDS			
Community Primary Care Services	68.012		GFA033
TOTAL STATE FINANCIAL ASSISTANCE			
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			

* considered Community Health Center Cluster

(1) includes accounts receivable of $61,955

(2) includes accounts receivable of $38,044

(3) includes accounts receivable of $818,609

(4) includes accounts receivable of $10,439

Program or Award Amount	Revenue		Expenditures	Pass-Through to Subrecipents
$ 8,768,129	$ 8,721,509	(1)	$ 8,721,509	$ -
8,683,852	178,734	(4)	178,734	-
4,543,526	5,973		5,973	-
21,995,507	8,906,216		8,906,216	-
507,610	346,933	(2)	346,933	-
507,610	66,576		66,576	-
1,015,220	413,509		413,509	-
204,963	58,324		58,324	
$ 23,215,690	$ 9,378,049		$ 9,378,049	$ -
$ 1,441,424	$ 924,389	(3)	$ 924,389	$ -
$ 1,441,424	$ 924,389		$ 924,389	$ -
$ 24,657,114	$ 10,302,438		$ 10,302,438	$ -

NOTES TO THE CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended March 31, 2017

NOTE A - BASIS OF PRESENTATION

The Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and is 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), the Florida Single Audit Act (FS. 215.97) and State of Florida, Rules of the Auditor General 10.650. Because the Schedule presents only a selected portion of the operations of HCN it is not intended to and does not present the financial position, changes in net assets, or cash flows of HCN.

Expenditures reported on the Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance include cash disbursements, whether capitalized or expensed, during the fiscal year as well as grant related amounts recorded as payable at year end. Revenues reported on the Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance include cash receipts, whether recognized or deferred, as well as grant receivables recorded at year end.

NOTE B - INDIRECT COSTS

HCN did not routinely allocate costs to Federal Awards programs. Costs charged to such programs were direct costs unless specifically incurred for the program and allowed and indicated as such.

HCN has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
March 31, 2017

	Collier Health Services, Inc.	CHS Healthcare Foundation	Integral Health Plan, Inc.*	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 1,261,001	$ 644,796	$ 1,201,714	$ -	$ 3,107,511
Certificates of deposit	444,746	-	-	-	444,746
Investments	-	-	29,268,325	-	29,268,325
Patient receivables, net	5,725,238	-	-	-	5,725,238
Pledges receivable	128,915	178,128	-	-	307,043
Grants receivable	937,306	-	-	-	937,306
Other receivables	241,778	-	-	(102,587)	139,191
Cash restricted - IPDA	-	-	8,269,444	-	8,269,444
Cash held in escrow for wind-down services	-	-	-	-	-
Cash held in escrow for lease	-	-	-	-	-
Inventory	265,459	-	-	-	265,459
Prepaid expenses	53,166	8,909	-	-	62,075
TOTAL CURRENT ASSETS	9,057,609	831,833	38,739,483	(102,587)	48,526,338
PLEDGES RECEIVABLE, NET	721,279	338,666	-	-	1,059,945
NOTE RECEIVABLE MOLINA HEALTHCARE OF FLORIDA	-	-	-	-	-
PROPERTY AND EQUIPMENT, NET	13,013,599	-	-	-	13,013,599
OTHER ASSETS	725,854	-	-	-	725,854
TOTAL ASSETS	$ 23,518,341	$ 1,170,499	$ 38,739,483	$ (102,587)	$ 63,325,736
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 705,547	$ 24,664	$ 1,000,000	$ (102,587)	$ 1,627,624
Accrued liabilities	1,689,264	79,442	-	-	1,768,706
Medical claims payable	-	-	-	-	-
Pension plan payable	415,427	-	-	-	415,427
Primary care physicians supplemental payable	-	-	-	-	-
OPEB liability	481,078	-	-	-	481,078
Current portion of note and mortgage payable	67,561	-	-	-	67,561
Current portion of capital lease payable	183,271	-	-	-	183,271
TOTAL CURRENT LIABILITIES	3,542,148	104,106	1,000,000	(102,587)	4,543,667
ACCRUED COMPENSATED ABSENCES	961,234	-	-	-	961,234
NOTE AND MORTGAGE PAYABLE, NET OF CURRENT PORTION	3,422,208	-	-	-	3,422,208
CAPITAL LEASE PAYABLE, NET OF CURRENT PORTION	1,499,031	-	-	-	1,499,031
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-
TOTAL LIABILITIES	9,424,621	104,106	1,000,000	(102,587)	10,426,140
NET ASSETS					
Unrestricted	12,461,359	-	37,739,483	-	50,200,842
Unrestricted, Board designated	564,716	-	-	-	564,716
TOTAL UNRESTRICTED NET ASSETS	13,026,075	-	37,739,483	-	50,765,558
TEMPORARILY RESTRICTED	1,067,645	1,066,393	-	-	2,134,038
PERMANENTLY RESTRICTED	-	-	-	-	-
TOTAL NET ASSETS	14,093,720	1,066,393	37,739,483	-	52,899,596
TOTAL LIABILITIES AND NET ASSETS	$ 23,518,341	$ 1,170,499	$ 38,739,483	$ (102,587)	$ 63,325,736

* As of December 31, 2016 (liquidation basis)

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
March 31, 2016

	Collier Health Services, Inc.	CHS Healthcare Foundation	Integral Health Plan, Inc.*	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 4,583,075	$ 136,379	$ 11,589,650	$ -	$ 16,309,104
Certificates of deposit	443,194	-	-	-	443,194
Investments	-	-	12,036,891	-	12,036,891
Patient receivables, net	4,712,189	-	-	-	4,712,189
Pledges receivable	29,056	15,930	-	-	44,986
Grants receivable	5,168	-	-	-	5,168
Other receivables	238,905	384	-	(22,206)	217,083
Cash restricted - IPDA	-	-	8,269,444	-	8,269,444
Cash held in escrow for wind-down services	-	-	2,605,183	-	2,605,183
Cash held in escrow for lease	-	-	1,600,000	-	1,600,000
Inventory	251,820	-	-	-	251,820
Prepaid expenses	66,068	-	-	-	66,068
TOTAL CURRENT ASSETS	10,329,475	152,693	36,101,168	(22,206)	46,561,130
PLEDGES RECEIVABLE, NET	55,396	157,462	-	-	212,858
NOTE RECEIVABLE MOLINA HEALTHCARE OF FLORIDA	-	-	6,663,228	-	6,663,228
PROPERTY AND EQUIPMENT, NET	12,189,613	-	165,000	-	12,354,613
OTHER ASSETS	708,027	-	146,837	-	854,864
TOTAL ASSETS	$ 23,282,511	$ 310,155	$ 43,076,233	$ (22,206)	$ 66,646,693
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 606,485	$ 26,052	$ 4,653,565	$ (22,206)	$ 5,263,896
Accrued liabilities	1,558,924	2,098	-	-	1,561,022
Medical claims payable	-	-	3,130,694	-	3,130,694
Pension plan payable	108,675	-	-	-	108,675
Primary care physicians supplemental payable	-	-	143,339	-	143,339
OPEB liability	533,748	-	-	-	533,748
Current portion of note and mortgage payable	30,675	-	-	-	30,675
Current portion of capital lease payable	172,000	-	-	-	172,000
TOTAL CURRENT LIABILITIES	3,010,507	28,150	7,927,598	(22,206)	10,944,049
ACCRUED COMPENSATED ABSENCES	1,255,786	-	-	-	1,255,786
NOTE AND MORTGAGE PAYABLE, NET OF CURRENT PORTION	2,793,904	-	-	-	2,793,904
CAPITAL LEASE PAYABLE, NET OF CURRENT PORTION	1,682,304	-	-	-	1,682,304
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-
TOTAL LIABILITIES	8,742,501	28,150	7,927,598	(22,206)	16,676,043
NET ASSETS					
Unrestricted	14,055,404	-	35,148,635	-	49,204,039
Unrestricted, Board designated	163,118	-	-	-	163,118
TOTAL UNRESTRICTED NET ASSETS	14,218,522	-	35,148,635	-	49,367,157
TEMPORARILY RESTRICTED	321,488	282,005	-	-	603,493
PERMANENTLY RESTRICTED	-	-	-	-	-
TOTAL NET ASSETS	14,540,010	282,005	35,148,635	-	49,970,650
TOTAL LIABILITIES AND NET ASSETS	$ 23,282,511	$ 310,155	$ 43,076,233	$ (22,206)	$ 66,646,693

* As of March 31, 2016 (liquidation basis)

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended March 31, 2017

	Collier Health Services, Inc.	CHS Healthcare Foundation	Integral Health Plan, Inc.*	Eliminations	Total
CHANGES IN NET ASSETS					
REVENUES AND SUPPORT					
Federal and State grants	$ 10,302,438	$ -	$ -	$ -	$ 10,302,438
Medicaid premium revenues	-	-	3,629,955	-	3,629,955
Patient service fees, net	33,063,484	-	-	-	33,063,484
In-kind contributions	3,972,531	493,733	-	(493,733)	3,972,531
Other	962,579	-	1,429,907	-	2,392,486
Management fees	492,500	-	-	-	492,500
Contributions	1,295,180	1,401,410	-	(448,275)	2,248,315
Other grants	303,779	-	-	-	303,779
Investment income, net of fees and costs	6,142	897	533,625	-	540,664
Gain of sale of property and equipment	-	-	41,430	-	41,430
Sale of medicaid business	-	-	-	-	-
TOTAL REVENUE AND SUPPORT	50,398,633	1,896,040	5,634,917	(942,008)	56,987,582
EXPENSES					
Bad debt	318,000	-	-	-	318,000
Charitable contributions	46,805	551,248	-	(448,275)	149,778
Computer	1,390,773	9,019	-	-	1,399,792
Depreciation and amortization	923,523	-	-	-	923,523
Equipment lease	777,057	-	-	-	777,057
Facility lease and related	1,719,255	-	-	-	1,719,255
Fringe benefits	3,469,349	-	-	-	3,469,349
Fundraising	52,780	26,682	-	-	79,462
In-kind	3,972,531	493,733	-	(493,733)	3,972,531
Insurance	356,246	-	-	-	356,246
Interest and bank fees	310,205	1,697	-	-	311,902
Legal, audit and consulting	840,302	-	-	-	840,302
Maintenance and repairs	560,664	-	-	-	560,664
Management fees	-	-	-	-	-
Marketing	45,185	638	-	-	45,823
Medical services, net	-	-	-	-	-
Other	264,674	7,628	2,243,081	-	2,515,383
Patient care	8,016,683	-	-	-	8,016,683
Payroll taxes	1,649,773	-	-	-	1,649,773
Printing	40,967	9,809	-	-	50,776
Postage	35,361	124	-	-	35,485
Reinsurance premiums, net	-	-	(37,263)	-	(37,263)
Salaries	24,197,540	-	838,251	-	25,035,791
Supplies	369,080	852	-	-	369,932
Training	120,054	3,254	-	-	123,308
Travel	251,850	6,968	-	-	258,818
Utilities	991,657	-	-	-	991,657
Vehicle	124,609	-	-	-	124,609
TOTAL EXPENSES	50,844,923	1,111,652	3,044,069	(942,008)	54,058,636
INCREASE (DECREASE) IN NET ASSETS	(446,290)	784,388	2,590,848	-	2,928,946
NET ASSETS, BEG. OF YEAR	14,540,010	282,005	35,148,635	-	49,970,650
ADJUSTMENTS - SEE NOTE W	-	-	-	-	-
NET ASSETS, BEGINNING AS RESTATED	14,540,010	282,005	35,148,635	-	49,970,650
NET ASSETS, END OF YEAR	$ 14,093,720	$ 1,066,393	$ 37,739,483	$ -	$ 52,899,596

* For the period April 1, 2016 through December 31, 2016 (liquidation basis)

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended March 31, 2016

	Collier Health Services, Inc.	CHS Healthcare Foundation	Integral Health Plan, Inc.*	Eliminations	Total
CHANGES IN NET ASSETS					
REVENUES AND SUPPORT					
Federal grants	$ 9,196,753	$ -	$ -	$ -	$ 9,196,753
Medicaid premium revenues	-	-	149,673,672	-	149,673,672
Patient service fees, net	27,269,603	-	-	(1,939,439)	25,330,164
In-kind contributions	2,290,689	381,571	-	(381,571)	2,290,689
Other	6,061,532	-	-	(5,034,934)	1,026,598
Management fees	474,892	-	-	-	474,892
Contributions	689,821	1,139,057	-	(814,169)	1,014,709
Other grants	404,677	-	-	-	404,677
Investment income, net of fees and costs	(847)	9	3,976	-	3,138
Sale of medicaid business	-	-	57,613,951		57,613,951
TOTAL REVENUE AND SUPPORT	46,387,120	1,520,637	207,291,599	(8,170,113)	247,029,243
EXPENSES					
Bad debt	218,181	-	-	-	218,181
Charitable contributions	52,805	1,002,397	-	(814,169)	241,033
Computer	1,165,391	14,029	-	-	1,179,420
Depreciation and amortization	858,791	157	460,447	-	1,319,395
Equipment lease	528,443	304	-	-	528,747
Facility lease and related	1,317,150	-	-	-	1,317,150
Fringe benefits	3,468,343	-	-	-	3,468,343
Fundraising	26,355	24,712	-	-	51,067
In-kind	2,290,689	381,571	-	(381,571)	2,290,689
Insurance	294,640	-	-	-	294,640
Interest and bank fees	335,731	975	199,246	-	535,952
Legal, audit and consulting	677,807	-	-	-	677,807
Maintenance and repairs	477,260	-	-	-	477,260
Management fees	-	-	9,099,170	-	9,099,170
Marketing	77,766	3,736	-	-	81,502
Medical services, net	-	-	143,820,360	(6,974,373)	136,845,987
Other	641,645	7,325	9,103,609	-	9,752,579
Patient care	5,854,154	-	-	-	5,854,154
Payroll taxes	1,555,986	-	-	-	1,555,986
Printing	40,429	10,714	-	-	51,143
Postage	36,861	28	-	-	36,889
Reinsurance premiums, net	-	-	(126,692)	-	(126,692)
Salaries	20,461,541	-	-	-	20,461,541
Supplies	337,436	9,660	-	-	347,096
Training	89,393	3,195	-	-	92,588
Travel	294,936	9,472	-	-	304,408
Utilities	915,969	-	-	-	915,969
Vehicle	124,307	-	-	-	124,307
TOTAL EXPENSES	42,142,009	1,468,275	162,556,140	(8,170,113)	197,996,311
INCREASE (DECREASE) IN NET ASSETS	4,245,111	52,362	44,735,459	-	49,032,932
NET ASSETS, BEG. OF YEAR (DEFICIT)	10,294,899	229,643	(1,567,513)	-	8,957,029
ADJUSTMENTS - SEE NOTE W	-	-	(8,019,311)	-	(8,019,311)
NET ASSETS, BEGINNING AS RESTATED	10,294,899	229,643	(9,586,824)	-	937,718
NET ASSETS, END OF YEAR	$ 14,540,010	$ 282,005	$ 35,148,635	$ -	$ 49,970,650

* For the period April 1, 2015 through November 1, 2015 (going concern basis) liquidation basis thereafter

ADDITIONAL REPORTS OF
INDEPENDENT AUDITOR

TUSCAN
& Company, PA
Certified Public Accountants & Consultants

Affiliations
Florida Institute of Certified Public Accountants
American Institute of Certified Public Accountants
Private Companies Practice Section
Tax Division

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Collier Health Services, Inc.
dba Healthcare Network of Southwest Florida and Affiliates
1454 Madison Avenue West
Immokalee, FL 34142

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 of America, the consolidated financial statements of Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates, which comprise the consolidated statement of financial position as of March 31, 2017, and the related consolidated statements of activities, 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 September 26, 2017.

Internal Control Over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' 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 Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates’ internal control. Accordingly, we do not express an opinion on the effectiveness of Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates’ 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 Organization’s financial statements will not be prevented, or detected

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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 Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' 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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
September 26, 2017

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and/or Each Major State Project and on Internal Control Over Compliance in Accordance With the Uniform Guidance and the Florida Single Audit Act (Florida Statute 215.97)

Board of Directors
Collier Health Services, Inc.
dba Healthcare Network of Southwest Florida and Affiliates
1454 Madison Avenue West
Immokalee, FL 34142

Report on Compliance for Each Major Federal Program and Each major State Project
We have audited Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Department of Financial Services "State Projects Compliance Supplement" that could have a direct and material effect on each of Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' major federal programs and major state projects for the year ended March 31, 2017. Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' major federal programs and major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and major state projects.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' major federal programs and major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America; 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). the Florida Single Audit Act (Florida Statute 215.97); and the State of Florida, Rules of the Auditor General 10.650. Those standards and the Uniform Guidance, the Florida Single Audit Act (Florida Statute 215.97) and the State of Florida, Rules of the Auditor General 10.650 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 and/or major state project occurred. An audit includes examining, on a test basis, evidence about Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' 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 and each major state project. However, our audit does not provide a legal determination of Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' compliance.

Opinion on Each Major Federal Program and Major State Project
In our opinion, Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and its major state project for the year ended March 31, 2017.

Report on Internal Control Over Compliance
Management of Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates 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 Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and each major state project and to test and report on internal control over compliance in accordance with the Uniform Guidance, the Florida Single Audit Act (Florida Statute 215.97), and the State of Florida, Rules of the Auditor General 10.650, 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 Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates’ internal control over compliance.

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

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

Purpose of the Report

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 Uniform Guidance the Florida Single Audit Act (Florida Statute 215.97), and the State of Florida, rules of the Auditor General 10.650. Accordingly, this report is not suitable for any other purpose.

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
September 26, 2017

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended March 31, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified			
Internal control over financial reporting:				
Control deficiency(ies) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	No
Material weakness(es) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Control deficiency(ies) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	No
Material weakness(es) identified?		Yes	X	None reported
Type of auditors report issued on compliance for major programs	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		Yes	X	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.224	Consolidated Health Centers

Dollar threshold used to distinguish between Type A and Type B programs? Threshold used was $750,000

Auditee qualified as low-risk auditee?	X	Yes		No

Listing of Subrecipients and amounts passed-through: None - There were no subgrantees

Section II - Financial Statement Findings

There were no reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE, CONTINUED
Year Ended March 31, 2017

Section III - Federal Award and State Financial Assistance Findings and Questioned Costs
There were no audit findings related to federal awards required to be reported by 2 CFR Section 200.516(a).

Status of Federal Prior Year Findings
There were no prior year findings.

State Financial Assistance

Internal control over major projects:				
Control deficiency(ies) identified?	____	Yes	X	No
Significant deficiency(ies) identified?	____	Yes	X	No
Material weakness(es) identified?	____	Yes	X	None Reported
Type of auditors report issued on compliance for major projects	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General 10.654(1)(h)(4)?	____	Yes	X	No

Identification of major projects:

CSFA Number(s)		Name of State Project
		State of Florida, Agency for Health Care Administration (AHCA)
68.012	GFA033	Community Primary Care Services

Dollar threshold used to distinguish between
Type A and Type B projects: Threshold used was $277,317

Listing of Subrecipients and amounts passed-through:
There were no subgrantees

Section II- Financial Statement Findings
There were no reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements noted.

Section III- State Financial Assistance Findings and Questioned Costs
There were no audit findings related to State Financial Assistance noted.

Status of State Financial Assistance Prior Year Findings
There were no prior year findings.

TUSCAN
& Company, PA
Certified Public Accountants & Consultants

Affiliations
Florida Institute of Certified Public Accountants
American Institute of Certified Public Accountants
Private Companies Practice Section
Tax Division

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Directors
Collier Health Services, Inc.
dba Healthcare Network of Southwest Florida and Affiliates
1454 Madison Avenue West
Immokalee, FL 34142

In planning and performing our audit of the financial statements of Collier Health Services, Inc. ("HCN") (a not-for-profit Florida Corporation) dba Healthcare Network of Southwest Florida and Affiliates as of and for the year ended March 31, 2017, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion of the effectiveness of the Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of the Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' 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 Organization’s financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

In connection with our audit, we are submitting the following comments and recommendations in accordance with Government Auditing Standards, Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards" (Uniform Guidance) and Chapter 10.650 "Rules of the Auditor General - State Single Audit, Nonprofit and For-Profit Organizations" (Revised September 30, 2016) Rule 10.656(3)(e) and Section 215.97(9)(f), of the Florida Statutes. We are, therefore, submitting for your review and consideration, items noted during the audit and recommendations are designed to help HCN make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates.

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:

There were no financially significant comments noted.

CURRENT YEAR COMMENTS:

None - No financially significant comments noted.

This report is intended solely for the information and use of finance committee, management, Federal and State awarding agencies, pass-through entities, the Auditor General for the State of Florida and other Federal and State audit agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
September 26, 2017

EXHIBIT

November 14, 2017

Tuscan & Company, P.A.
12621 World Plaza Lane
Building 55
Fort Myers, Florida 33907

The Budget and Finance Committee of Healthcare Network of Southwest Florida has reviewed the audited financial statements for the fiscal years April 1, 2016 – March 31, 2017, 2017 prepared by your firm.

The Committee has approved the audit on behalf of the Board of Directors and we thank you for your efforts.

Sincerely,

Jerry Starkey
Finance Committee Chairman