

**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, 2019 AND 2018**

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor’s Report	1-4
<u>Financial Statements</u>	
Consolidated Statements of Financial Position.....	5
Consolidated Statements of Activities.....	6
Consolidated Statements of Functional Expenses.....	7
Consolidated Statements of Cash Flows.....	8
Notes to the Consolidated Financial Statements.....	9-36
<u>Supplementary Information</u>	
Consolidated Schedule of Expenditures of Federal Awards - Year Ended March 31, 2019.....	37
Notes to Consolidated Schedule of Expenditures of Federal Awards.....	38
Consolidating Statements of Financial Position.....	39-40
Consolidating Statements of Activities.....	41-42
<u>Additional Reports of Independent Auditor</u>	
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 <u>Government Auditing Standards</u>	43-44
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance.....	45-47
Schedule of Findings and Questioned Costs - Federal Awards.....	48-49
Independent Auditor's Report to Management.....	50-51
Management's Response to Independent Auditor's Report to Management.....	Exhibit



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) (the "Organization") dba Healthcare Network of Southwest Florida and Affiliates which comprise the consolidated statements of financial position as of March 31, 2019 and 2018, 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, 2018 and 2017; the related statement of changes in net assets in liquidation for the year ended December 31, 2018 and 2017 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. d/b/a Integral Quality Care, an affiliate, which represent total assets of \$279,083 and \$269,871 as of December 31, 2018 and 2017, respectively, total net assets of \$238,697 and \$219,876 as of December 31, 2018 and 2017, respectively, and the total revenues and support of \$18,826 and \$6,659,587, respectively, for the year/period, respectively then ended. The financial statements of Integral Health Plan, Inc. d/b/a Integral Quality Care as of and for the year ended December 31, 2017 were audited by other auditors whose report has 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

INTEGRITY SERVICE EXPERIENCE

12621 World Plaza Lane, Building 55 • Fort Myers, FL 33907 • Phone: (239) 333-2090 • Fax: (239) 333-2097

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 report 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, 2019 and 2018, 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 Care as of December 31, 2018 and 2017; the changes in its net assets in liquidation for the years ended December 31, 2018 and 2017, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note A to the consolidated financial statements, the Integral Health Plan, Inc. d/b/a Integral Quality Care's Board approved a plan of liquidation on November 2, 2015, and determined liquidation was imminent. As a result, Integral Health Plan, Inc. d/b/a Integral Quality Care changed its basis of accounting for periods subsequent to November 1, 2015 from the going-concern basis to a liquidation basis. Accordingly, it is anticipated that Integral Health Plan,

Board of Directors
Collier Health Services, Inc.
dba Healthcare Network of Southwest Florida and Affiliates
Page 3

Inc. d/b/a Integral Quality Care's last year of operation will be the year ended December 31, 2019. All net assets held by Integral Health Plan, Inc. d/b/a Integral Quality Care were distributed on June 28, 2019. As such, \$232,666 was transferred to Collier Health Services, Inc. d/b/a Healthcare Network of Southwest Florida. Our opinion is not modified with respect to this matter.

The financial statements of Integral Health Plan, Inc. d/b/a Integral Quality Care as of and for the year ended December 31, 2018 were not audited.

On August 18, 2016 FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates has adjusted the presentation of these statements accordingly. Please refer to Note A.

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 for the year ended March 31, 2019 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), 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 for the year ended March 31, 2019 and the notes thereto are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Board of Directors
Collier Health Services, Inc.
dba Healthcare Network of Southwest Florida and Affiliates
Page 4

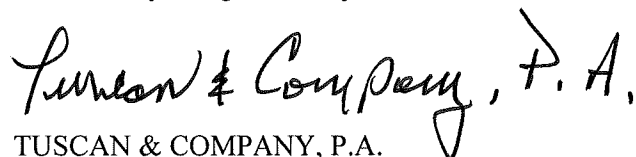
The accompanying consolidating statements of financial position as of March 31, 2019 and 2018, and consolidating statements of activities for the years then ended, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information 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 audit 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 July 24, 2019, 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.
Fort Myers, Florida
July 24, 2019

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2019 and 2018

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents, including restricted amounts	\$ 6,182,303	\$ 3,737,165
Certificates of deposit, including restricted amounts	832,763	446,521
Investments	40,145,784	41,144,586
Patient receivables, net	4,601,521	4,365,924
Pledges receivable, current portion	278,528	467,958
Grants receivable, current portion	12,179	6,451
Other receivables	233,086	372,104
Inventory	258,247	277,297
Prepaid expenses	608,578	393,484
TOTAL CURRENT ASSETS	<u>53,152,989</u>	<u>51,211,490</u>
PLEDGES RECEIVABLE, NET OF CURRENT PORTION	1,031,161	1,080,183
PROPERTY AND EQUIPMENT, NET	12,952,320	12,390,900
OTHER ASSETS	905,491	757,271
TOTAL ASSETS	<u>\$ 68,041,961</u>	<u>\$ 65,439,844</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,077,434	947,073
Accrued liabilities	2,029,166	1,448,768
Pension plan payable	155,705	649,559
OPEB liability and other	457,823	414,863
Current portion of notes and mortgages payable	97,985	70,683
Current portion of capital lease payable	208,077	195,281
TOTAL CURRENT LIABILITIES	<u>4,026,190</u>	<u>3,726,227</u>
ACCRUED COMPENSATED ABSENCES	708,101	810,977
NOTES AND MORTGAGES PAYABLE, NET OF CURRENT PORTION	3,355,966	3,352,088
CAPITAL LEASE PAYABLE, NET OF CURRENT PORTION	1,096,397	1,304,473
COMMITMENTS AND CONTINGENCIES	-	-
TOTAL LIABILITIES	<u>9,186,654</u>	<u>9,193,765</u>
NET ASSETS		
Without donor restrictions, undesignated	13,022,209	53,389,800
Without donor restrictions, Board designated	42,814,467	163,118
TOTAL WITHOUT DONOR RESTRICTIONS	<u>55,836,676</u>	<u>53,552,918</u>
With donor restrictions	3,018,631	2,693,161
TOTAL NET ASSETS	<u>58,855,307</u>	<u>56,246,079</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 68,041,961</u>	<u>\$ 65,439,844</u>

The accompanying notes are an integral part of this statement.

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended March 31, 2019 and 2018

	2019			Total
	Without Donor Restrictions	With Donor Restrictions		
		Temporarily Restricted	Permanently Restricted	
CHANGES IN NET ASSETS				
REVENUES AND SUPPORT				
Federal and State grants	\$ 9,622,673	\$ -	\$ -	\$ 9,622,673
Medicaid premium revenues	18,826	-	-	18,826
Patient service fees, net	36,626,441	-	-	36,626,441
In-kind contributions	3,527,122	-	-	3,527,122
Other	1,098,825	2,119,764	-	3,218,589
Management fees	490,000	-	-	490,000
Contributions	1,069,014	-	-	1,069,014
Other grants	480,649	-	-	480,649
Investment income, net of fees and costs	1,708,525	-	-	1,708,525
TOTAL REVENUE AND SUPPORT	<u>54,642,075</u>	<u>2,119,764</u>	<u>-</u>	<u>56,761,839</u>
Net Assets Released from Restrictions	<u>1,794,294</u>	<u>(1,794,294)</u>	<u>-</u>	<u>-</u>
TOTAL	<u>56,436,369</u>	<u>325,470</u>	<u>-</u>	<u>56,761,839</u>
EXPENSES				
Program services	47,050,805	-	-	47,050,805
Management and general	6,522,300	-	-	6,522,300
Fundraising	579,506	-	-	579,506
TOTAL EXPENSES	<u>54,152,611</u>	<u>-</u>	<u>-</u>	<u>54,152,611</u>
INCREASE (DECREASE) IN NET ASSETS	2,283,758	325,470	-	2,609,228
NET ASSETS, BEGINNING OF YEAR	<u>53,552,918</u>	<u>2,693,161</u>	<u>-</u>	<u>56,246,079</u>
NET ASSETS, END OF YEAR	<u>\$ 55,836,676</u>	<u>\$ 3,018,631</u>	<u>\$ -</u>	<u>\$ 58,855,307</u>

The accompanying notes are an integral part of this statement.

2018			
Without Donor Restrictions	With Donor Restrictions		Total
	Temporarily Restricted	Permanently Restricted	
\$ 9,593,126	\$ -	\$ -	\$ 9,593,126
4,279,901	-	-	4,279,901
33,270,555	-	-	33,270,555
3,974,174	-	-	3,974,174
326,411	1,328,899	-	1,655,310
478,947	-	-	478,947
1,308,042	-	-	1,308,042
405,263	-	-	405,263
<u>2,279,729</u>	<u>-</u>	<u>-</u>	<u>2,279,729</u>
55,916,148	1,328,899	-	57,245,047
<u>769,776</u>	<u>(769,776)</u>	<u>-</u>	<u>-</u>
<u>56,685,924</u>	<u>559,123</u>	<u>-</u>	<u>57,245,047</u>
43,233,665	-	-	43,233,665
10,458,739	-	-	10,458,739
<u>206,160</u>	<u>-</u>	<u>-</u>	<u>206,160</u>
<u>53,898,564</u>	<u>-</u>	<u>-</u>	<u>53,898,564</u>
2,787,360	559,123	-	3,346,483
<u>50,765,558</u>	<u>2,134,038</u>	<u>-</u>	<u>52,899,596</u>
<u>\$ 53,552,918</u>	<u>\$ 2,693,161</u>	<u>\$ -</u>	<u>\$ 56,246,079</u>

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, 2019 and 2018

	2019			
	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
FUNCTIONAL EXPENSES				
Salaries/wages	\$ 21,590,827	\$ 2,880,245	\$ 306,514	\$ 24,777,586
Payroll taxes	1,663,593	221,926	-	1,885,519
Fringe benefits	4,061,947	555,588	-	4,617,535
Charitable contributions	-	897,439	468	897,907
Computer	1,564,823	208,749	18,540	1,792,112
Equipment lease	333,511	44,491	55	378,057
Facility lease and related	1,325,202	613,277	79,954	2,018,433
Fundraising	25,054	3,342	65,339	93,735
In-kind	3,527,122	-	-	3,527,122
Insurance	296,390	82,302	-	378,692
Interest and bank service fees	102,622	363,832	2,437	468,891
Legal, audit and consulting	412,005	216,769	50,025	678,799
Maintenance and repairs	469,322	62,608	-	531,930
Marketing	11,696	14,255	177	26,128
Other	157,746	19,248	3,093	180,087
Patient care	8,332,562	-	-	8,332,562
Printing	16,840	2,246	45,157	64,243
Postage	25,238	3,441	255	28,934
Supplies	240,456	32,077	6,184	278,717
Training	94,517	32,559	1,308	128,384
Travel	158,757	30,158	-	188,915
Utilities	788,211	105,148	-	893,359
Bad debt	858,376	-	-	858,376
Vehicle	132,163	17,631	-	149,794
	<u>46,188,980</u>	<u>6,407,331</u>	<u>579,506</u>	<u>53,175,817</u>
Depreciation and amortization	835,733	111,488	-	947,221
Loss on disposition of fixed assets	26,092	3,481	-	29,573
TOTAL EXPENSES	<u>\$ 47,050,805</u>	<u>\$ 6,522,300</u>	<u>\$ 579,506</u>	<u>\$ 54,152,611</u>

The accompanying notes are an integral part of this statement.

2018			
Program Services	Supporting Services		Total Expenses
	Management and General	Fundraising	
\$ 19,145,574	\$ 6,012,590	\$ -	\$ 25,158,164
1,361,841	427,681	-	1,789,522
2,676,390	887,697	-	3,564,087
-	29,125	105,340	134,465
1,224,739	384,624	16,570	1,625,933
402,926	126,537	-	529,463
1,087,078	818,839	-	1,905,917
18,745	5,887	30,073	54,705
3,974,174	-	-	3,974,174
206,795	115,871	-	322,666
72,398	263,338	1,579	337,315
607,772	499,250	-	1,107,022
493,282	154,913	-	648,195
24,843	10,810	264	35,917
452,964	53,696	2,937	509,597
8,306,399	-	-	8,306,399
21,164	6,646	27,605	55,415
26,025	8,173	10,394	44,592
269,234	84,552	3,102	356,888
126,356	42,895	8,296	177,547
153,590	56,935	-	210,525
703,787	221,022	-	924,809
1,088,984	-	-	1,088,984
102,670	32,243	-	134,913
42,547,730	10,243,324	206,160	52,997,214
685,829	215,382	-	901,211
106	33	-	139
<u>\$ 43,233,665</u>	<u>\$ 10,458,739</u>	<u>\$ 206,160</u>	<u>\$ 53,898,564</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets and other operating activities	\$ 2,609,228	\$ 3,346,483
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	947,221	901,211
Bad debt expense	858,376	1,088,984
(Gain) loss on disposal of fixed assets	29,573	139
(Gain) loss on disposal of CIP	-	82,559
Unrealized (gain)/loss on investments	-	-
Changes in:		
Patient accounts receivable, net	(1,093,973)	270,330
Pledges receivable, net	238,452	(181,153)
Grants receivable	323	930,855
Other receivables	132,967	(232,913)
Restricted cash - IPDA	-	8,269,444
Inventory	19,050	(11,838)
Prepaid expenses	(215,094)	(331,409)
Other assets	(148,220)	(31,417)
Accounts payable	130,361	(680,551)
Pension plan payable	(493,854)	234,132
Accrued liabilities	580,398	(319,938)
OPEB liability	42,960	(66,215)
Net increase (decrease) in accrued compensated absences	(102,876)	(150,257)
TOTAL ADJUSTMENTS	<u>925,664</u>	<u>9,771,963</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>3,534,892</u>	<u>13,118,446</u>

The accompanying notes are an integral part of this statement.

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	\$ (2,248,915)	\$ (361,210)
Proceeds from sales of property and equipment	710,701	-
Redemptions (Incr) of certificates of deposit	(386,242)	(1,775)
Investment income activity, net	3,498,802	2,279,729
Purchases of investments, net	<u>(2,500,000)</u>	<u>(14,155,990)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(925,654)</u>	<u>(12,239,246)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt	125,215	-
Principal payments on notes and mortgages payable	(94,035)	(66,998)
Principal payments on capital lease payable	<u>(195,280)</u>	<u>(182,548)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(164,100)</u>	<u>(249,546)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,445,138	629,654
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,737,165</u>	<u>3,107,511</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,182,303</u>	<u>\$ 3,737,165</u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest expense	<u>\$ 468,891</u>	<u>\$ 337,315</u>

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

<u>Donor</u>	<u>Item</u>	<u>2019</u>	<u>2018</u>
Florida State University	Rent	\$ 453,600	\$ 453,600
Florida State University	Utilities & Repairs	130,692	135,562
State of Florida	Vaccines	2,884,654	3,323,527
Collier Health Department	Rent	50,000	50,000
Various	Misc. donated items	<u>8,176</u>	<u>11,485</u>
		<u>\$ 3,527,122</u>	<u>\$ 3,974,174</u>

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, Inc. (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. These consolidated financial statements include audited financial statements for IHP as of and for the year ended December 31, 2017, on the liquidation basis. These financial statements, also, include unaudited financial statements for IHP as of and for the year ended December 31, 2018 on the liquidation basis. 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 required 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.

Effective December 21, 2017, IHP, filed articles of dissolution with the State of Florida, commencing a four-year period (FY 21) through which claims can be filed against IHP by third parties.

IHP transferred all its remaining assets in the amount of \$232,666 to Collier Health Services, Inc. on June 28, 2019.

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. consistent with the name change of HCN. The Foundation subsequently registered with the State of Florida to do business as (dba) Healthcare Network of Southwest Florida Foundation on July

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

Organization and nature of operations, continued

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:

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.

New Accounting Pronouncement

On August 18, 2016 FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include (a) requiring the presentation of only two classes of net assets now titled "net assets without donor restrictions" and "net assets with donor restrictions" and (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources. As a result of adopting the ASU, HCN changed its presentation of its net assets and classes and expanded the footnote disclosures as required by the ASU.

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.

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

Basis of accounting, continued

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.

To the extent there are any changes in IHP's initial measurement, there will be changes reflected in the Statement of Changes in Net 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, 2019 and 2018, 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.

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, 2019. The Board distributed all of the remaining net assets in accordance with IHP's mission on June 28, 2019.

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 Federal Depository Insurance Corporation (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.

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

Cash and cash equivalents, continued

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.

Investments

HCN invests in various investment vehicles in an effort to minimize risk of principal and maximize investment income. 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 as trading. Investments are subject to market and economic risk and may lose principal. Investments in debt and equity securities with readily determinable fair values are measured at fair value using quoted market prices. Realized and unrealized gains and losses on trading securities, interest and dividends were included in investment income, net in the accompanying consolidated Statements of Activities.

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 and bad debt expense.

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.

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

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.

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, 2019 and 2018, 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.

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.

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

Property and equipment, continued

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.

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 Organization's consolidated financial statements resulting from FASB ASC 360-10-50-2 for the years ended March 31, 2019 or 2018.

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.

Recognition of revenue restrictions

Support that is restricted by the donor is reported as an increase in (unrestricted) net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other grant and donor restricted revenue and support is reported as an increase in (temporarily or permanently restricted) net assets with restrictions, depending on the nature of the restriction. When a restriction expires, or when the purpose restriction is met net assets with restrictions are reclassified to net assets without restrictions. For the years ended March 31, 2019 and 2018, the Organization had no permanently restricted net assets.

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

Recognition of revenue restrictions, continued

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 Organization's 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. The Board routinely approves the allocation methods.

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, 2019 or 2018.

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 consolidated 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.

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.

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

Advertising costs

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

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 consolidated financial statements and related notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made in the 2018 financial statements to conform with the classifications used in 2019. These reclassifications had no impact on the financial position or changes in net assets as previously reported.

Subsequent events

Subsequent events have been evaluated through July 24, 2019, which is the date the consolidated financial statements were available to be issued.

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

NOTE B - CASH AND CASH EQUIVALENTS

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

	2019	2018
Cash on hand	\$ 7,025	\$ 6,225
Depository, savings and money market accounts		
Restricted	375,258	800,899
Board designated	2,168,682	151,835
Unrestricted	<u>3,631,338</u>	<u>2,778,206</u>
	<u>\$ 6,182,303</u>	<u>\$ 3,737,165</u>

NOTE C - CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at March 31:

	2019	2018
Restricted	\$ -	\$ 335,239
Board designated	500,000	111,282
Unrestricted	<u>332,763</u>	<u>-</u>
	<u>\$ 832,763</u>	<u>\$ 446,521</u>

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. Bank 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, 2019 and 2018, were \$5,979,202 and \$3,782,601, respectively. Cash balances held at investment services companies and cash equivalents totaling \$8,290,315 and \$10,582,572, as of March 31, 2019 and 2018, 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.

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

NOTE E - INVESTMENTS

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

	2019	2018
Cash	\$ 8,290,315	\$ 10,582,572
Equity securities	13,583,932	11,879,236
Fixed income	16,888,587	16,589,399
Mutual funds	1,382,950	2,093,379
	<u>\$ 40,145,784</u>	<u>\$ 41,144,586</u>

Investment income consisted of the following for the years ended March 31:

	2019	2018
Interest and dividends	\$ 1,108,959	\$ 877,080
Realized and unrealized gains and (losses) on trading investments	599,566	1,402,649
Total investment income, net	<u>\$ 1,708,525</u>	<u>\$ 2,279,729</u>
Investment return 4.05% net of fees.		

NOTE F - PATIENT RECEIVABLES

Patient receivables consist of the following at March 31:

	2019	2018
Medicaid	\$ 194,215	\$ 120,353
Medicare	143,253	126,240
Commercial insurance	818,709	525,827
Patient pays	667,417	579,796
Pharmacy	310,462	377,245
Integral wraparound	2,833,458	3,000,111
	4,967,514	4,729,572
Less allowance for doubtful accounts and contractual adjustments	(365,993)	(363,648)
Patient receivables, net	<u>\$ 4,601,521</u>	<u>\$ 4,365,924</u>

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, 2019 and 2018, were \$858,376 and \$1,088,984, respectively.

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

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>U.S. Dept. of Health and Human Services</u>	<u>2019</u>	<u>2018</u>
Outpatient Early Intervention Services - HIV	\$ -	\$ -
Consolidated Health Centers	-	-
Geriatrics Workforce Enhancement Program	6,051	-
 <u>State of Florida Agency for Health Care Administration (AHCA)</u>		
Community Primary Care Services	-	-
 <u>Other grants</u>		
Healthy Start	280	572
Collier County Rural Health Network	<u>5,848</u>	<u>5,879</u>
	<u>\$ 12,179</u>	<u>\$ 6,451</u>

Management considers all grant receivables fully collectible at both March 31, 2019 and 2018.

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

At March 31, 2019 and 2018, HCN and Affiliates had net pledges receivable of \$1,309,689 and \$1,548,141 (net present value), of which \$278,528 and \$467,958 were current and \$1,031,161 and \$1,080,183, respectively, were noncurrent assets. These amounts are deemed by management to be fully collectible. Amounts, after the discount, are expected to be collected as follows:

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

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

<u>Years Ending March 31:</u>	<u>Amount</u>
2020	\$ 278,528
2021	223,120
2022	218,120
2023	211,185
2024	140,000
2025-2028	459,835
	<u>\$ 1,530,788</u>

Net unconditional promises to give at March 31, 2019 were as follows:

	<u>Amount</u>
Receivable in less than one year - gross	\$ 278,528
Receivable in one to ten years - gross	1,252,260
Total unconditional promises receivable to give	1,530,788
Less unamortized discount (net present value discount)	(221,099)
Net unconditional promises to give	<u>\$ 1,309,689</u>

Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 5.50%.

NOTE I - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 3,392,357	\$ 3,392,357
Construction in process (CIP)	1,266,815	98,931
Buildings and improvements	6,784,275	7,774,135
Leasehold improvements	4,438,125	4,012,835
Medical equipment	1,254,036	1,152,126
Vehicles	1,280,773	1,224,982
Furniture, fixtures and equipment	2,765,683	2,473,578
	<u>21,182,064</u>	<u>20,128,944</u>
Accumulated depreciation	(8,229,744)	(7,738,044)
	<u>\$ 12,952,320</u>	<u>\$ 12,390,900</u>

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

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, 2019 and 2018, respectively. Depreciation expense of \$104,953 and \$104,952, respectively, was recorded for the building for the years ended March 31, 2019 and 2018 (which is included in total depreciation expense).

Accumulated depreciation on assets held under capital lease totaled \$1,008,095 and \$903,142 at March 31, 2019 and 2018, respectively, and is included in total accumulated depreciation.

Depreciation expense for the years ended March 31, 2019 and 2018, was \$947,221 and \$901,211, respectively.

NOTE J - ACCRUED LIABILITIES

Accrued liabilities consist of the following at March 31:

	<u>2019</u>	<u>2018</u>
Accrued salaries and wages	\$ 1,100,597	\$ 790,580
Payroll taxes and other liabilities	321,271	352,925
Accrued lease payments	71,250	71,250
Blue Cross Blue Shield Reserve	200,000	105,550
Other	336,048	128,463
	<u>\$ 2,029,166</u>	<u>\$ 1,448,768</u>

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

NOTE K - NOTES AND MORTGAGES PAYABLE

Notes and mortgages payable consists of the following obligations at March 31:

	<u>2019</u>	<u>2018</u>
Note 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 due December 18, 2021.	\$ 802,721	\$ 836,499
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 December 21, 2020. 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
Note payable (\$125,215) for leasehold improvements dated April 1, 2018, to a Florida corporation, payable in 60 monthly installments of \$2,320 beginning April 1, 2018. Payments include principal and interest at a fixed rate of 4%.	101,958	-
Mortgage payable (\$716,000) to financial institution dated August 5, 2016, to partially fund the purchase of a senior center 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.	<u>623,272</u>	<u>660,272</u>
	3,453,951	3,422,771
Current Portion	<u>(97,985)</u>	<u>(70,683)</u>
Long-Term Portion	<u>\$ 3,355,966</u>	<u>\$ 3,352,088</u>

Interest expense incurred related to the notes and mortgage payable was \$124,223 and \$122,761 for the years ended March 31, 2019 and 2018, respectively.

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

NOTE K - NOTES AND MORTGAGES PAYABLE, CONTINUED

Principal maturities of the notes and mortgages payable are as follows:

Years Ending March 31	Amount
2020	\$ 97,985
2021	2,028,463
2022	799,049
2023	71,362
2024	45,998
Thereafter	411,094
	<u>\$ 3,453,951</u>

NOTE L - CAPITAL LEASE PAYABLE

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, 2019.

	2019	2018
Total	\$ 1,304,474	\$ 1,499,754
Current Portion	<u>(208,077)</u>	<u>(195,281)</u>
Long Term Portion	<u>\$ 1,096,397</u>	<u>\$ 1,304,473</u>

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

NOTE L - CAPITAL LEASE PAYABLE, CONTINUED

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

Years Ending March 31	Principal	Interest	Total Amount
2020	\$ 208,077	\$ 76,923	\$ 285,000
2021	221,713	63,287	285,000
2022	236,242	48,758	285,000
2023	251,723	33,277	285,000
2024	268,218	16,782	285,000
Thereafter	118,501	1,869	120,370
	<u>\$ 1,304,474</u>	<u>\$ 240,896</u>	<u>1,545,370</u>
		Less: amount representing interest	<u>(240,896)</u>
			1,304,474
		Less: current portion	<u>(208,077)</u>
		Long term	<u>\$ 1,096,397</u>

Interest expense incurred related to the capital lease was \$89,719 and \$101,729 for the years ended March 31, 2019 and 2018, respectively.

NOTE M - SCHEDULE OF NET ASSETS

Net assets consist of the following at March 31:

	2019	2018
Unrestricted - undesignated	<u>\$ 13,022,209</u>	<u>\$ 53,389,800</u>
Unrestricted - designated:		
Future operations	163,118	163,118
Capital campaign	<u>42,651,349</u>	<u>-</u>
Total unrestricted, designated	<u>42,814,467</u>	<u>163,118</u>
Temporarily restricted:		
Arthrex FCN buildout funds	-	215,000
Care Mobile	-	7,585
Coons Advisors- dental grant	25,000	-
Backpacks for kids	3,264	-
Komen grant	18,637	6,706
Foundation support	622,911	1,269,906
Dental care - Give Kids a Smile	22,623	26,034
Indigent care - adults - Sister V	867	14,278
Reach out and read - children's books	18,953	19,973
Community Foundation - generators - behavioral health	13,985	14,714
Guardian angel fund	5,388	17,863
DSME - mini grant	-	289
Give kids a smile	-	5,077
Mammograms	-	479
Capital campaign	2,263,439	1,074,137
Agua grant	11,236	20,096
Future readiness program	12,328	592
Collier County health facility grants	-	432
Total temporarily restricted	<u>3,018,631</u>	<u>2,693,161</u>
	<u>\$ 58,855,307</u>	<u>\$ 56,246,079</u>

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

NOTE N - 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, 2019 or 2018 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.

NOTE O - 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:

<u>Donor</u>	<u>Item</u>	<u>2019</u>	<u>2018</u>
Florida State University	Rent	\$ 453,600	\$ 453,600
Florida State University	Utilities & Repairs	130,692	135,562
State of Florida	Vaccines	2,884,654	3,323,527
Collier Health Department	Rent	50,000	50,000
Various	Misc. donated items	8,176	11,485
		<u>\$ 3,527,122</u>	<u>\$ 3,974,174</u>

NOTE P - 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, 2019 and 2018 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, 2019 and 2018, were \$1,559,555 and \$1,827,801, 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	%
_____	_____
2	20%
3	40%
4	60%
5	80%
6	100%

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.

NOTE P - PENSION PLANS AND OTHER EMPLOYEE BENEFITS, CONTINUED

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 - Other assets and as a liability OPEB liability and other. At March 31, 2019 and 2018 assets held under the section 457(b) Plan were \$125,729 and \$73,138, 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 \$332,094 and \$341,725 for the years ended March 31, 2019 and 2018, respectively.

NOTE Q - 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 2020 to 2028. Facilities rental expense for the years ended March 31, 2019 and 2018, was \$1,581,939 and \$1,428,470, respectively and is included in facility lease expense on the consolidated statements of functional expenses.

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

NOTE Q - LEASE COMMITMENTS, CONTINUED

The Organization also leases (operating type) various office and medical equipment. Equipment rental expense for the years ended March 31, 2019 and 2018, was \$243,346 and \$337,014 respectively and is included in equipment lease expense on the consolidated statements of functional expenses.

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

Years Ending March 31	Facility Leases	Equipment Leases	Totals
2020	\$ 1,576,413	\$ 66,764	\$ 1,643,177
2021	1,498,864	36,760	1,535,624
2022	889,202	24,702	913,904
2023	618,906	2,745	621,651
2024	427,610	2,745	430,355
Thereafter	1,575,422	688	1,576,110
	<u>\$ 6,586,417</u>	<u>\$ 134,404</u>	<u>\$ 6,720,821</u>

NOTE R - 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, 2019 and 2018, approximately 24% and 47% of total support and revenue, respectively, was attributable to amounts received for the account classifications listed above.

NOTE S - COMMITMENTS

The Organization maintains a \$5,000,000 (increased from \$2,000,000 on March 8, 2019) revolving 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, 2019 or 2018, and there was no outstanding balance on the line of credit as of either year-end. The line of credit expires January 31, 2020.

NOTE S - COMMITMENTS, CONTINUED

The Organization plans to construct a new health center building on the Golden Gate property. In August 2017, the Organization entered into an agreement with an architect for architectural and engineering services to be performed on this property. The total cost of the architectural and engineering project per the contract is \$490,250, \$383,953 of which was paid as of March 31, 2019. The Organization, also, entered into a contract for the construction of the Golden Gate property. The total cost of the construction project per the contract is \$13,880,642, \$0 of which was paid as of March 31, 2019.

The Organization obtained a \$15,000,000 line of credit from a financial institution on December 12, 2018. Interest on the line of credit is payable at LIBOR plus 1.5%. There was no activity on the line of credit during the year ended March 31, 2019, and there is no outstanding balance on the line of credit as of year-end. It is collateralized by a lien against the Organization's investment account with another financial institution. The line of credit expires on December 12, 2021 and is due and payable thereon. Interest rate at March 31, 2019 was 3.94%.

NOTE T - 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 T - 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, 2019 or 2018.

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

<u>March 31, 2019</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash	\$ 8,290,315	\$ 8,290,315	\$ -	\$ -
Mutual Funds	1,382,950	1,382,950	-	-
Equity Securities	13,583,932	13,583,932	-	-
Fixed income	16,888,587	-	16,888,587	-
Equity investment in LCEC	136,122	-	-	136,122
	<u>\$ 40,281,906</u>	<u>\$ 23,257,197</u>	<u>\$ 16,888,587</u>	<u>\$ 136,122</u>
<u>March 31, 2018</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash	\$ 10,582,572	\$ 10,582,572	\$ -	\$ -
Mutual Funds	2,093,379	2,093,379	-	-
Equity Securities	11,879,236	11,879,236	-	-
Fixed income:	16,589,399	-	16,589,399	-
Equity investment in LCEC	157,480	-	-	157,480
	<u>\$ 41,302,066</u>	<u>\$ 24,555,187</u>	<u>\$ 16,589,399</u>	<u>\$ 157,480</u>

NOTE T - 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 rollforward of the fair value measurements using unobservable inputs (Level 3) as of March 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance, April 1	\$ 157,480	\$ 158,928
Gains included in earnings	-	-
Purchases, sales and settlements		
Equity distribution	<u>(21,358)</u>	<u>(1,448)</u>
Ending balance, March 31	<u>\$ 136,122</u>	<u>\$ 157,480</u>

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 U - RELATED PARTY TRANSACTIONS

Inter-company

All financial activity between the consolidating entities has been eliminated in consolidation.

NOTE U - RELATED PARTY TRANSACTIONS, CONTINUED

Consulting Fees

For the year ended December 31, 2018 and 2017, IHP paid consulting fees of approximately \$0 and \$291,600, respectively, to a company owned by a Board member under a consulting agreement approved by the Board. As of December 31, 2018, all estimated fees to be incurred through final liquidation have been paid.

NOTE V - 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:

	<u>2019</u>	<u>2018</u>
457(b) deferred compensation plan	<u>\$ 125,729</u>	<u>\$ 73,138</u>

These amounts are also included in these consolidated financial statements at March 31, 2019 and 2018 as assets held in trust recorded as part of other assets and a similar offsetting liability recorded as part of the OPEB liability.

NOTE W - 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, 2019 and 2018, HCN paid premiums and fees to the Plan of \$3,887,431 and \$2,831,628, respectively.

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

NOTE W - SELF INSURANCE, CONTINUED

HCN acts as the plan administrator and a third party acts as the claim administrator. As of March, 31, 2019, the Plan has an individual participant stop-loss limit of \$160,000 and an aggregate plan stop-loss limit of approximately \$3,971,702. HCN funded an estimated reserve for claims incurred but not yet reported (IBNR) of \$200,000 at March 31, 2019. 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, 2019, claims exceeded the individual stop loss deductible by \$0.

NOTE X - SUBSEQUENT EVENTS

Subsequent to the year ended March 31, 2019, IHP transferred \$232,666, which represented all remaining assets to HCN. IHP was officially dissolved as of December 21, 2018.

NOTE Y - LIQUIDITY

Financial assets available within one year of March 31, 2019 consisted of the following:

	<u>Amount</u>
Cash and cash equivalents, unrestricted	\$ 3,756,505
Certificate of deposits, unrestricted	111,786
Investments without donor restrictions	40,145,784
Patient receivables, net	4,601,521
Grants receivable	6,128
Other receivables	239,137
Pledges receivable, current portion	<u>278,528</u>
	49,139,389
Less amounts due within one year:	
Current liabilities	<u>(4,026,190)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 45,113,199</u>

The Organization also has a \$5,000,000 revolving line of credit available to meet cash flow needs.

SUPPLEMENTARY INFORMATION

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2019

Federal Agency & Office/Pass Through Grantor/Program Title	CFDA/CSFA	Pass-Through or Grant Contract Number
<u>U.S. Department of Health and Human Services</u>		
MAJOR (Type A)		
Health Resources and Services Administration (HRSA)		
Consolidated Health Centers Grant		
Capital Assistance for Hurricane Responses and Recovery Efforts	93.224	* C13CS32042-01
Health Resources and Services Administration (HRSA)-16	93.224	* H80CS00735-16
Health Resources and Services Administration (HRSA)-17	93.224	* H80CS00735-17
NON-MAJOR (Type B)		
Health Resources and Services Administration (HRSA)		
Outpatient Early Intervention Services - HIV - Ryan White	93.918	H76HA00086-27
Outpatient Early Intervention Services - HIV - Ryan White	93.918	H76HA00086-28
Passed through Florida State University		FAIN: U1QHP28709
Geriatrics Workforce Enhancement Program	93.969	Subaward # R01905

TOTAL FEDERAL AWARDS

* considered Community Health Center Program Cluster and includes CFDA #93.527

(1) Includes accounts receivable of \$6,051.

Reconciliation of Revenue to the Consolidated Statement of Activities:

	2019
Federal Grants	\$ 9,563,557
State Grants	59,116
	<u>\$ 9,622,673</u>

<u>Program or Award Amount</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Pass-Through to Subrecipients</u>
\$ 337,400	\$ -	\$ -	\$ -
78,512	78,512	78,512	-
<u>8,922,598</u>	<u>8,922,598</u>	<u>8,922,598</u>	<u>-</u>
<u>9,338,510</u>	<u>9,001,110</u>	<u>9,001,110</u>	<u>-</u>
404,003	404,003	404,003	-
<u>468,290</u>	<u>125,380</u>	<u>125,380</u>	<u>-</u>
<u>872,293</u>	<u>529,383</u>	<u>529,383</u>	<u>-</u>
<u>81,016</u>	<u>33,064</u> (1)	<u>33,064</u>	<u>-</u>
<u>\$ 10,291,819</u>	<u>\$ 9,563,557</u>	<u>\$ 9,563,557</u>	<u>\$ -</u>

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2019

Page 38 of 51

NOTE A - BASIS OF PRESENTATION

The Consolidated Schedule of Expenditures of Federal Awards 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). 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 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 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, 2019

	Collier Health Services, Inc.	CHS Healthcare Foundation	Integral Health Plan, Inc.*	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents, including restricted amounts	\$ 5,571,797	\$ 331,423	\$ 279,083	\$ -	\$ 6,182,303
Certificates of deposit, including restricted amounts	832,763	-	-	-	832,763
Investments	40,145,784	-	-	-	40,145,784
Patient receivables, net	4,601,521	-	-	-	4,601,521
Pledges receivable, current portion	140,000	138,528	-	-	278,528
Grants receivable	12,179	-	-	-	12,179
Other receivables	296,319	-	-	(63,233)	233,086
Inventory	258,247	-	-	-	258,247
Prepaid expenses	596,475	12,103	-	-	608,578
TOTAL CURRENT ASSETS	52,455,085	482,054	279,083	(63,233)	53,152,989
PLEDGES RECEIVABLE, NET OF CURRENT PORTION	821,566	209,595	-	-	1,031,161
PROPERTY AND EQUIPMENT, NET	12,952,320	-	-	-	12,952,320
OTHER ASSETS	905,491	-	-	-	905,491
TOTAL ASSETS	\$ 67,134,462	\$ 691,649	\$ 279,083	\$ (63,233)	\$ 68,041,961
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 1,031,620	\$ 68,661	\$ 40,386	\$ (63,233)	\$ 1,077,434
Accrued liabilities	2,029,090	76	-	-	2,029,166
Pension plan payable	155,705	-	-	-	155,705
OPEB liability and other	457,823	-	-	-	457,823
Current portion of notes and mortgages payable	97,985	-	-	-	97,985
Current portion of capital lease payable	208,077	-	-	-	208,077
TOTAL CURRENT LIABILITIES	3,980,300	68,737	40,386	(63,233)	4,026,190
ACCRUED COMPENSATED ABSENCES	708,101	-	-	-	708,101
NOTES AND MORTGAGES PAYABLE, NET OF CURRENT PORTION	3,355,966	-	-	-	3,355,966
CAPITAL LEASE PAYABLE, NET OF CURRENT PORTION	1,096,397	-	-	-	1,096,397
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-
TOTAL LIABILITIES	9,140,764	68,737	40,386	(63,233)	9,186,654
NET ASSETS					
Without donor restrictions, undesignated	12,783,512	-	238,697	-	13,022,209
Without donor restriction, Board designated	42,814,467	-	-	-	42,814,467
TOTAL NET ASSETS					
WITHOUT DONOR RESTRICTIONS	55,597,979	-	238,697	-	55,836,676
With donor restrictions	2,395,719	622,912	-	-	3,018,631
TOTAL NET ASSETS	57,993,698	622,912	238,697	-	58,855,307
TOTAL LIABILITIES AND NET ASSETS	\$ 67,134,462	\$ 691,649	\$ 279,083	\$ (63,233)	\$ 68,041,961

* As of December 31, 2018 (liquidation basis) - unaudited as of December 31, 2018

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
March 31, 2018

	Collier Health Services, Inc.	CHS Healthcare Foundation	Integral Health Plan, Inc.*	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents, including restricted amounts	\$ 2,759,433	\$ 721,570	\$ 256,162	\$ -	\$ 3,737,165
Certificates of deposit, including restricted amounts	446,521	-	-	-	446,521
Investments	41,130,877	-	13,709	-	41,144,586
Patient receivables, net	4,365,924	-	-	-	4,365,924
Pledges receivable, current portion	80,000	387,958	-	-	467,958
Grants receivable	6,451	-	-	-	6,451
Other receivables	411,399	-	-	(39,295)	372,104
Inventory	277,297	-	-	-	277,297
Prepaid expenses	379,142	14,342	-	-	393,484
TOTAL CURRENT ASSETS	49,857,044	1,123,870	269,871	(39,295)	51,211,490
PLEDGES RECEIVABLE, NET OF CURRENT PORTION	894,137	186,046	-	-	1,080,183
PROPERTY AND EQUIPMENT, NET	12,390,900	-	-	-	12,390,900
OTHER ASSETS	757,271	-	-	-	757,271
TOTAL ASSETS	\$ 63,899,352	\$ 1,309,916	\$ 269,871	\$ (39,295)	\$ 65,439,844
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 896,790	\$ 39,578	\$ 50,000	\$ (39,295)	\$ 947,073
Accrued liabilities	1,448,336	432	-	-	1,448,768
Pension plan payable	649,559	-	-	-	649,559
OPEB liability and other	414,863	-	-	-	414,863
Current portion of notes and mortgages payable	70,683	-	-	-	70,683
Current portion of capital lease payable	195,281	-	-	-	195,281
TOTAL CURRENT LIABILITIES	3,675,512	40,010	50,000	(39,295)	3,726,227
ACCRUED COMPENSATED ABSENCES	810,977	-	-	-	810,977
NOTES AND MORTGAGES PAYABLE, NET OF CURRENT PORTION	3,352,088	-	-	-	3,352,088
CAPITAL LEASE PAYABLE, NET OF CURRENT PORTION	1,304,473	-	-	-	1,304,473
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-
TOTAL LIABILITIES	9,143,050	40,010	50,000	(39,295)	9,193,765
NET ASSETS					
Without donor restrictions, undesignated	53,169,929	-	219,871	-	53,389,800
Without donor restrictions, Board designated	163,118	-	-	-	163,118
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	53,333,047	-	219,871	-	53,552,918
With donor restrictions	1,423,255	1,269,906	-	-	2,693,161
TOTAL NET ASSETS	54,756,302	1,269,906	219,871	-	56,246,079
TOTAL LIABILITIES AND NET ASSETS	\$ 63,899,352	\$ 1,309,916	\$ 269,871	\$ (39,295)	\$ 65,439,844

* As of December 31, 2017 (liquidation basis)

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended March 31, 2019

	Collier Health Services, Inc.	CHS Healthcare Foundation	Integral Health Plan, Inc.*	Eliminations	Total
CHANGES IN NET ASSETS					
REVENUES AND SUPPORT					
Federal and State grants	\$ 9,622,673	\$ -	\$ -	\$ -	\$ 9,622,673
Medicaid premium revenues	-	-	18,826	-	18,826
Patient service fees, net	36,626,441	-	-	-	36,626,441
In-kind contributions	3,527,122	436,493	-	(436,493)	3,527,122
Other	3,218,589	-	-	-	3,218,589
Management fees	490,000	-	-	-	490,000
Contributions	1,572,526	917,373	-	(1,420,885)	1,069,014
Other grants	480,649	-	-	-	480,649
Investment income, net of fees and costs	1,708,994	(469)	-	-	1,708,525
Gain of sale of property and equipment	-	-	-	-	-
Liquidation distributions	-	-	-	-	-
TOTAL REVENUE AND SUPPORT	57,246,994	1,353,397	18,826	(1,857,378)	56,761,839
EXPENSES					
Bad debt	858,376	-	-	-	858,376
Charitable contributions	897,439	1,421,353	-	(1,420,885)	897,907
Computer	1,773,572	18,540	-	-	1,792,112
Depreciation and amortization	947,221	-	-	-	947,221
Equipment lease	378,002	55	-	-	378,057
Facility lease and related	2,018,433	-	-	-	2,018,433
Fringe benefits	4,617,535	-	-	-	4,617,535
Fundraising	28,396	65,339	-	-	93,735
In-kind	3,527,122	79,954	-	(79,954)	3,527,122
Insurance	378,692	-	-	-	378,692
Interest and bank service fees	466,454	2,437	-	-	468,891
Legal, audit and consulting	678,799	50,025	-	(50,025)	678,799
Loss on disposition of fixed assets	29,573	-	-	-	29,573
Maintenance and repairs	531,930	-	-	-	531,930
Marketing	25,951	177	-	-	26,128
Other	176,994	3,093	-	-	180,087
Patient care	8,332,562	-	-	-	8,332,562
Payroll taxes	1,885,519	-	-	-	1,885,519
Printing	19,086	45,157	-	-	64,243
Postage	28,679	255	-	-	28,934
Salaries/wages	24,777,586	306,514	-	(306,514)	24,777,586
Supplies	272,533	6,184	-	-	278,717
Training	127,076	1,308	-	-	128,384
Travel	188,915	-	-	-	188,915
Utilities	893,359	-	-	-	893,359
Vehicle	149,794	-	-	-	149,794
TOTAL EXPENSES	54,009,598	2,000,391	-	(1,857,378)	54,152,611
INCREASE (DECREASE) IN NET ASSETS	3,237,396	(646,994)	18,826	-	2,609,228
NET ASSETS, BEGINNING OF YEAR	54,756,302	1,269,906	219,871	-	56,246,079
NET ASSETS, END OF YEAR	\$ 57,993,698	\$ 622,912	\$ 238,697	\$ -	\$ 58,855,307

* For the year ended December 31 , 2018 (liquidation basis) - unaudited for the year ended December 31, 2018

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended March 31, 2018

	Collier Health Services, Inc.	CHS Healthcare Foundation	Integral Health Plan, Inc.*	Eliminations	Total
CHANGES IN NET ASSETS					
REVENUES AND SUPPORT					
Federal and State grants	\$ 9,593,126	\$ -	\$ -	\$ -	\$ 9,593,126
Medicaid premium revenues	-	-	4,279,901	-	4,279,901
Patient service fees, net	33,270,555	-	-	-	33,270,555
In-kind contributions	3,974,174	477,446	-	(477,446)	3,974,174
Other	1,655,310	-	-	-	1,655,310
Management fees	478,947	-	-	-	478,947
Contributions	905,239	1,052,841	-	(650,038)	1,308,042
Other grants	405,263	-	-	-	405,263
Investment income, net of fees and costs	(106,827)	6,870	2,379,686	-	2,279,729
Gain of sale of property and equipment	-	-	-	-	-
Liquidation distributions	43,910,677	-	-	(43,910,677)	-
TOTAL REVENUE AND SUPPORT	94,086,464	1,537,157	6,659,587	(45,038,161)	57,245,047
EXPENSES					
Bad debt	1,088,984	-	-	-	1,088,984
Charitable contributions	29,125	755,378	-	(650,038)	134,465
Computer	1,609,363	16,570	-	-	1,625,933
Depreciation and amortization	901,211	-	-	-	901,211
Equipment lease	529,463	-	-	-	529,463
Facility lease and related	1,905,917	-	-	-	1,905,917
Fringe benefits	3,564,087	-	-	-	3,564,087
Fundraising	24,632	30,073	-	-	54,705
In-kind	3,974,174	72,731	-	(72,731)	3,974,174
Insurance	322,666	-	-	-	322,666
Interest and bank service fees	335,736	1,579	-	-	337,315
Legal, audit and consulting	1,107,022	-	-	-	1,107,022
Loss on disposition of fixed assets	139	-	-	-	139
Maintenance and repairs	648,195	-	-	-	648,195
Marketing	35,653	264	-	-	35,917
Other	238,138	2,937	44,179,199	(43,910,677)	509,597
Patient care	8,306,399	-	-	-	8,306,399
Payroll taxes	1,789,522	-	-	-	1,789,522
Printing	27,810	27,605	-	-	55,415
Postage	34,198	10,394	-	-	44,592
Salaries/wages	25,158,164	404,715	-	(404,715)	25,158,164
Supplies	353,786	3,102	-	-	356,888
Training	169,251	8,296	-	-	177,547
Travel	210,525	-	-	-	210,525
Utilities	924,809	-	-	-	924,809
Vehicle	134,913	-	-	-	134,913
TOTAL EXPENSES	53,423,882	1,333,644	44,179,199	(45,038,161)	53,898,564
INCREASE (DECREASE) IN NET ASSETS	40,662,582	203,513	(37,519,612)	-	3,346,483
NET ASSETS, BEGINNING Of YEAR	14,093,720	1,066,393	37,739,483	-	52,899,596
NET ASSETS, END OF YEAR	\$ 54,756,302	\$ 1,269,906	\$ 219,871	\$ -	\$ 56,246,079

* For the year ended December 31 , 2017 (liquidation basis)

**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, 2019, 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 July 24, 2019.

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

INTEGRITY SERVICE EXPERIENCE

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.

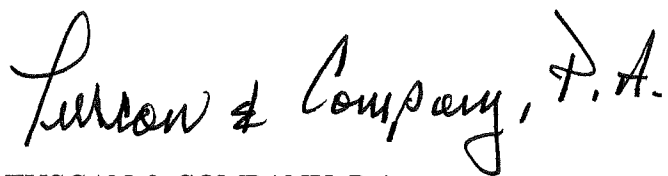
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Organization'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.

Fort Myers, Florida

July 24, 2019



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 Compliance With Requirements That Could
 Have a Direct and Material Effect on Each Major Program
 and on Internal Control Over Compliance in Accordance
 With the Uniform Guidance**

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

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 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 for the year ended March 31, 2019. Collier Health Services, Inc. dba Healthcare Network of Southwest Florida and Affiliates' major federal programs 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.

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 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

INTEGRITY SERVICE EXPERIENCE

Principles and Audit Requirements for Federal Awards" (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. 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

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 for the year ended March 31, 2019.

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Tuscán & Company, P.A." The signature is written in a cursive, flowing style.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
July 24, 2019

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED
COSTS - FEDERAL AWARDS
Year Ended March 31, 2019

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	<u> X </u> No	
Significant deficiency(ies) identified?	_____ Yes	<u> X </u> No	
Material weakness(es) identified?	_____ Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
Control deficiency(ies) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified?	_____ Yes	<u> X </u> No	
Material weakness(es) identified?	_____ Yes	<u> X </u> 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	<u> X </u>	
Identification of major programs:			

CFDA	
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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?	<u> X </u> Yes <u> </u> 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.

COLLIER HEALTH SERVICES, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED
COSTS - FEDERAL AWARDS, CONTINUED
Year Ended March 31, 2019

Page 49 of 51

Section III - Federal Award 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.

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, 2019, 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.

INTEGRITY SERVICE EXPERIENCE

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" Rule 10.656(3)(e). 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

July 24, 2019

EXHIBIT

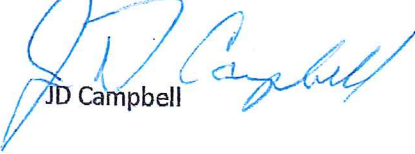
August 27, 2019

Tuscan & Company, P.A.
12621 World Plaza
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, 2018 – March 31, 2019 prepared by your firm.

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

Sincerely,


JD Campbell