



Financial Statements
(Together with Independent Auditors' Report)

For The Years Ended December 31, 2014 and 2013
and
Audit Reports and Schedule Related to Office of
Management and Budget Circular A-133

For The Year Ended December 31, 2014

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**PUBLIC HEALTH SOLUTIONS
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**AND
AUDIT REPORTS AND SCHEDULE RELATED TO OFFICE OF
MANAGEMENT AND BUDGET CIRCULAR A-133**

FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Public Health Solutions

Report on the Financial Statements

We have audited the accompanying financial statements of Public Health Solutions (the "Organization") which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Health Solutions as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, for the year ended December 31, 2014, (shown on pages 21-22) as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2015 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Marko Paneth LLP

New York, NY
July 1, 2015

**PUBLIC HEALTH SOLUTIONS
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013**

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 2B and 3)	\$ 22,794,877	\$ 30,855,451
Certificates of deposit (Notes 2C and 3)	369,346	366,971
Grants receivable (Notes 2D and 3):		
Federal	4,437,372	4,678,648
New York State/New York City	3,300,595	6,187,272
Private	1,120,522	2,176,215
Contributions receivable (Note 2J)	97,010	256,949
Service reimbursement receivable (Notes 2K and 3)	1,351,638	1,328,724
Supplies inventory (Note 2E)	85,955	81,465
Advances to subcontractors (Note 2G)	191,234	1,305,593
Deposits and other assets	135,134	123,843
Total current assets	33,883,683	47,361,131
Non-current assets:		
Property and equipment, net of accumulated depreciation and amortization (Notes 2F and 4)	458,428	333,497
Deposits and other assets	356,494	307,980
Total non-current assets	814,922	641,477
TOTAL ASSETS	\$ 34,698,605	\$ 48,002,608
 LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (Note 9C)	\$ 24,436,822	\$ 27,118,921
Capital lease obligations (Note 8)	-	17,684
Borrowings under line of credit (Note 6)	1,400,000	1,810,000
Advances from government and other agencies (Note 2H)	8,068,484	18,890,565
Total current liabilities	33,905,306	47,837,170
Non-current liabilities:		
Pension liability (Note 5)	23,627,710	16,673,497
Total non-current liabilities	23,627,710	16,673,497
TOTAL LIABILITIES	57,533,016	64,510,667
 COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (DEFICITS) (Note 2I)		
Unrestricted:		
Undesignated	10,367,001	7,676,043
Net unrecognized actuarial loss on pension plan (Note 5)	(34,456,573)	(25,309,186)
Total unrestricted	(24,089,572)	(17,633,143)
Temporarily restricted (Note 7)	1,255,161	1,125,084
TOTAL NET ASSETS (DEFICITS)	(22,834,411)	(16,508,059)
TOTAL LIABILITIES AND NET ASSETS	\$ 34,698,605	\$ 48,002,608

The accompanying notes are an integral part of these financial statements.

**PUBLIC HEALTH SOLUTIONS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	Year Ended December 31, 2014			Year Ended December 31, 2013		
	Unrestricted	Temporarily Restricted	Total 2014	Unrestricted	Temporarily Restricted	Total 2013
REVENUES AND SUPPORT:						
Government grants, service contracts and medical reimbursements (Note 2K):						
New York State	\$ 14,769,108	\$ -	\$ 14,769,108	\$ 15,460,847	\$ -	\$ 15,460,847
New York City	134,866,862	-	134,866,862	122,029,646	-	122,029,646
Federal - direct	34,627,365	-	34,627,365	36,577,586	-	36,577,586
Medicaid and other third party	8,230,236	-	8,230,236	7,298,702	-	7,298,702
Interest income	17,840	-	17,840	13,676	-	13,676
Other income	1,010,800	-	1,010,800	1,030,343	-	1,030,343
Nongovernment grants and contributions (Note 2J):						
Foundations and private grants	17,099,978	-	17,099,978	18,397,920	-	18,397,920
Contributions (A)	632,036	1,239,625	1,871,661	635,969	1,144,839	1,780,808
Net assets released from restrictions (Note 7)	1,109,548	(1,109,548)	-	279,013	(279,013)	-
TOTAL REVENUE AND SUPPORT	<u>212,363,773</u>	<u>130,077</u>	<u>212,493,850</u>	<u>201,723,702</u>	<u>865,826</u>	<u>202,589,528</u>
EXPENSES (Note 2M):						
Program services:						
Reproductive health	7,404,120	-	7,404,120	6,311,260	-	6,311,260
HIV/STD	126,657,279	-	126,657,279	113,750,064	-	113,750,064
Nutrition	9,997,725	-	9,997,725	10,454,082	-	10,454,082
Child health and development	9,165,038	-	9,165,038	8,289,833	-	8,289,833
Emergency preparedness	29,768,118	-	29,768,118	31,020,046	-	31,020,046
Training and technical assistance	1,710,394	-	1,710,394	1,866,340	-	1,866,340
Other miscellaneous programs	18,110,791	-	18,110,791	21,270,307	-	21,270,307
Total program services	202,813,465	-	202,813,465	192,961,932	-	192,961,932
Management and general	6,440,816	-	6,440,816	6,432,231	-	6,432,231
Fundraising and development	418,534	-	418,534	321,017	-	321,017
TOTAL EXPENSES	<u>209,672,815</u>	<u>-</u>	<u>209,672,815</u>	<u>199,715,180</u>	<u>-</u>	<u>199,715,180</u>
CHANGE IN NET ASSETS BEFORE PENSION LIABILITY ADJUSTMENT	2,690,958	130,077	2,821,035	2,008,522	865,826	2,874,348
Pension liability adjustment (Note 5)	(9,147,387)	-	(9,147,387)	8,323,645	-	8,323,645
CHANGE IN NET ASSETS	<u>(6,456,429)</u>	<u>130,077</u>	<u>(6,326,352)</u>	<u>10,332,167</u>	<u>865,826</u>	<u>11,197,993</u>
Net assets - beginning of year	(17,633,143)	1,125,084	(16,508,059)	(27,965,310)	259,258	(27,706,052)
NET ASSETS - END OF YEAR	<u>\$ (24,089,572)</u>	<u>\$ 1,255,161</u>	<u>\$ (22,834,411)</u>	<u>\$ (17,633,143)</u>	<u>\$ 1,125,084</u>	<u>\$ (16,508,059)</u>

(A) Includes contributions received from foundations.

**PUBLIC HEALTH SOLUTIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Services							Total Program Services	Management and General	Fundraising and Development	TOTAL 2014
	Reproductive Health	HIV/STD	Nutrition	Child Health and Development	Emergency Preparedness	Training and Technical Assistance	Other Miscellaneous Program				
Salaries and wages	2,653,787	5,037,040	6,480,707	6,200,685	1,686,111	267,678	11,395,382	\$ 33,721,390	\$ 3,887,212	\$ 173,589	\$ 37,782,191
Payroll taxes and employee benefits excluding defined benefit plan (ERISA Funding) (Note 5)	578,047	1,094,939	1,408,738	1,347,892	366,526	117,689	2,477,108	7,390,939	845,016	37,734	8,273,689
Net periodic benefit cost (Note 5)	(44,946)	(85,138)	(109,537)	(104,806)	(28,499)	(9,151)	(192,609)	(574,686)	(65,706)	(2,934)	(643,326)
Defined benefit plan (ERISA Funding) (Note 5)	198,174	375,382	482,963	462,103	125,657	40,348	849,236	2,533,863	289,700	12,936	2,836,499
	<u>3,385,062</u>	<u>6,422,223</u>	<u>8,262,871</u>	<u>7,905,874</u>	<u>2,149,795</u>	<u>416,564</u>	<u>14,529,117</u>	<u>43,071,506</u>	<u>4,956,222</u>	<u>221,325</u>	<u>48,249,053</u>
Subcontractors:											
Title X	2,102,699	-	-	-	-	-	-	2,102,699	-	-	2,102,699
Ryan White	-	93,445,821	-	-	-	-	-	93,445,821	-	-	93,445,821
HIV Prevention	-	19,460,726	-	-	-	-	-	19,460,726	-	-	19,460,726
HOPWA	-	46,369	-	-	-	-	-	46,369	-	-	46,369
Emergency Preparedness	-	-	-	-	13,751,539	-	-	13,751,539	-	-	13,751,539
Various	-	425,367	-	-	1,623,938	-	-	2,049,305	-	-	2,049,305
Patient care	217,422	-	-	-	-	-	-	217,422	-	-	217,422
Purchased services	133,876	107,773	34,037	101,046	115,501	502,380	145,092	1,139,705	99,559	-	1,239,264
Occupancy (Note 8)	236,053	448,816	887,338	783,801	153,683	1,500	2,555,512	5,066,703	679,212	-	5,745,915
Supplies	355,197	2,745,015	190,401	109,787	474,179	29,399	61,474	3,965,452	103,576	253	4,069,281
Communications	65,651	65,526	109,616	143,808	170,247	-	36,107	590,955	57,976	1,986	650,917
Maintenance and repairs	104,321	(119,532)	104,817	43,665	699,193	-	79,238	911,702	108,025	804	1,020,531
Postage	2,441	3,406	32,283	24,393	916	1,346	3,580	68,365	18,520	10,762	97,647
Marketing and promotion	23,894	854,367	11,473	67,010	313,688	-	475,648	1,746,080	-	-	1,746,080
Printing	8,247	93,892	18,311	27,606	63,165	790	7,834	219,845	9,610	14,308	243,763
Insurance	125,427	27,494	17,146	9,154	1,491	1,269	19,014	200,995	66,784	-	267,779
Travel	34,992	27,289	228,309	77,723	59,862	96,253	22,744	547,172	21,902	60,588	629,662
Equipment rental	5,029	11,931	26,761	62,332	6,571	-	31,493	144,117	63,971	-	208,088
Professional fees	677,549	2,770,114	402,321	119,594	10,065,761	259,828	609,243	14,904,410	337,740	112,502	15,354,652
Recruitment and training	15,669	42,102	13,453	37,278	153,093	377,586	8,048	647,229	90,536	1,816	739,581
Interest expense	48,514	-	-	-	-	-	4,837	53,351	505	2,631	56,487
Sundry expenses	7,544	41,715	28,718	11,451	62,654	54,676	40,722	247,480	35,405	1,561	284,446
Total expenses before depreciation and amortization	<u>7,549,587</u>	<u>126,920,414</u>	<u>10,367,855</u>	<u>9,524,522</u>	<u>29,865,276</u>	<u>1,741,591</u>	<u>18,629,703</u>	<u>204,598,948</u>	<u>6,649,543</u>	<u>428,536</u>	<u>211,677,027</u>
Depreciation and amortization	<u>7,761</u>	<u>27,109</u>	<u>3,296</u>	<u>(2,187)</u>	<u>-</u>	<u>-</u>	<u>137,715</u>	<u>173,694</u>	<u>15,267</u>	<u>-</u>	<u>188,961</u>
Total expenses including ERISA Funding, excluding NPBC (A)	<u>7,557,348</u>	<u>126,947,523</u>	<u>10,371,151</u>	<u>9,522,335</u>	<u>29,865,276</u>	<u>1,741,591</u>	<u>18,767,418</u>	<u>204,772,642</u>	<u>6,664,810</u>	<u>428,536</u>	<u>211,865,988</u>
Net periodic benefit cost (Note 5)	44,946	85,138	109,537	104,806	28,499	9,151	192,609	574,686	65,706	2,934	643,326
ERISA Funding Adjustment	(198,174)	(375,382)	(482,963)	(462,103)	(125,657)	(40,348)	(849,236)	(2,533,863)	(289,700)	(12,936)	(2,836,499)
TOTAL EXPENSES (B)	<u>\$ 7,404,120</u>	<u>\$ 126,657,279</u>	<u>\$ 9,997,725</u>	<u>\$ 9,165,038</u>	<u>\$ 29,768,118</u>	<u>\$ 1,710,394</u>	<u>\$ 18,110,791</u>	<u>\$ 202,813,465</u>	<u>\$ 6,440,816</u>	<u>\$ 418,534</u>	<u>\$ 209,672,815</u>

(A) Represents total expenses including \$2,836,499 cash payments in accordance with required ERISA funding standards and excluding \$643,325 in net periodic benefit cost.

(B) Represents total expenses after application of \$2,836,499 cash payments against pension liability and including \$643,325 in net period benefit cost in accordance with accounting principles generally accepted in the United States of America.

**PUBLIC HEALTH SOLUTIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Services							Management and General	Fundraising and Development	TOTAL 2013	
	Reproductive Health	HIV/STD	Nutrition	Child Health and Development	Emergency Preparedness	Training and Technical Assistance	Other Miscellaneous Program				Total Program Services
Salaries and wages	\$ 2,050,534	\$ 4,740,895	\$ 6,394,728	\$ 5,579,010	\$ 1,745,756	\$ 261,507	\$ 12,268,192	\$ 33,040,622	\$ 3,769,573	\$ 156,672	\$ 36,966,867
Payroll taxes and employee benefits excluding defined benefit plan (ERISA Funding) (Note 5)	495,350	1,140,718	1,548,459	1,343,348	420,051	125,426	2,952,218	8,025,570	908,388	37,698	8,971,656
Net periodic benefit cost (Note 5)	(44,399)	(102,245)	(138,792)	(120,407)	(37,650)	(11,242)	(264,613)	(719,348)	(81,421)	(3,379)	(804,148)
Defined benefit plan (ERISA Funding) (Note 5)	125,486	288,976	392,269	340,308	106,411	31,774	747,881	2,033,105	230,121	9,550	2,272,776
	<u>2,626,971</u>	<u>6,068,344</u>	<u>8,196,664</u>	<u>7,142,259</u>	<u>2,234,568</u>	<u>407,465</u>	<u>15,703,678</u>	<u>42,379,949</u>	<u>4,826,661</u>	<u>200,541</u>	<u>47,407,151</u>
Subcontractors:											
Title X	2,478,820	-	-	-	-	-	-	2,478,820	-	-	2,478,820
Ryan White	-	81,004,625	-	-	-	-	-	81,004,625	-	-	81,004,625
HIV Prevention	-	18,698,219	-	-	-	-	-	18,698,219	-	-	18,698,219
HOPWA	-	118,879	-	-	-	-	-	118,879	-	-	118,879
Emergency Preparedness	-	-	-	-	13,982,877	-	-	13,982,877	-	-	13,982,877
Various	273,122	60,399	-	-	1,510,121	-	21,900	1,865,542	-	-	1,865,542
Patient care	106,993	715	-	-	-	-	-	107,708	-	-	107,708
Purchased services	102,803	270,372	50,987	98,709	297,240	529,589	414,312	1,764,012	39,279	-	1,803,291
Occupancy (Note 8)	166,366	506,007	980,447	724,862	356,475	-	3,536,572	6,270,729	744,258	-	7,014,987
Supplies	189,245	1,867,394	413,013	145,215	1,011,234	9,597	109,821	3,745,519	146,456	1,696	3,893,671
Communications	58,891	65,335	81,795	139,813	134,571	22	41,433	521,860	65,903	40	587,803
Maintenance and repairs	40,948	577,569	138,056	32,515	1,067,893	-	115,225	1,972,206	81,181	1,496	2,054,883
Postage	2,912	6,352	58,665	31,735	2,077	881	6,688	109,310	17,626	2,052	128,988
Marketing and promotion	-	705,628	4,957	4,311	-	-	723,625	1,438,521	-	-	1,438,521
Printing	2,004	3,257	32,278	11,422	127,130	71,119	54,039	301,249	7,305	21,807	330,361
Insurance	149,928	26,747	11,365	9,239	3,304	1,190	20,940	222,713	59,475	-	282,188
Travel	12,939	22,839	152,339	49,992	69,886	59,266	58,945	426,206	26,509	158	452,873
Equipment rental	42,306	23,378	27,774	59,710	6,649	957	28,273	189,047	65,651	-	254,698
Professional fees	46,792	3,801,819	518,882	19,580	10,179,302	442,822	632,335	15,641,532	352,076	92,612	16,086,220
Recruitment and training	11,409	48,679	15,013	13,604	60,244	273,709	54,889	477,547	85,515	997	564,059
Interest expense	58,015	-	-	-	-	-	30,476	88,491	4,409	4,040	96,940
Sundry expenses	16,321	52,585	23,534	21,924	42,211	90,114	53,075	299,764	38,513	1,749	340,026
Total expenses before depreciation and amortization	6,386,785	113,929,142	10,705,769	8,504,890	31,085,782	1,886,731	21,606,226	194,105,325	6,560,817	327,188	200,993,330
Depreciation and amortization	5,562	7,653	1,790	4,844	3,025	141	147,349	170,364	20,114	-	190,478
Total expenses including ERISA Funding (A)	6,392,347	113,936,795	10,707,559	8,509,734	31,088,807	1,886,872	21,753,575	194,275,689	6,580,931	327,188	201,183,808
Net periodic benefit cost (Note 5)	44,399	102,245	138,792	120,407	37,650	11,242	264,613	719,348	81,421	3,379	804,148
ERISA Funding Adjustment	(125,486)	(288,976)	(392,269)	(340,308)	(106,411)	(31,774)	(747,881)	(2,033,105)	(230,121)	(9,550)	(2,272,776)
TOTAL EXPENSES (B)	<u>\$ 6,311,260</u>	<u>\$ 113,750,064</u>	<u>\$ 10,454,082</u>	<u>\$ 8,289,833</u>	<u>\$ 31,020,046</u>	<u>\$ 1,866,340</u>	<u>\$ 21,270,307</u>	<u>\$ 192,961,932</u>	<u>\$ 6,432,231</u>	<u>\$ 321,017</u>	<u>\$ 199,715,180</u>

(A) Represents total expenses including \$2,272,776 cash payments in accordance with required ERISA funding standards and excluding \$804,148 in net periodic benefit cost.

(B) Represents total expenses after application of \$2,272,776 cash payments against pension liability and including \$804,148 in net periodic benefit cost in accordance with accounting principles generally accepted in the United States of America.

**PUBLIC HEALTH SOLUTIONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (6,326,352)	\$ 11,197,993
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	188,961	190,478
Pension related changes other than net periodic pension cost	9,147,387	(8,323,645)
Decrease (increase) in assets:		
Grants receivable	4,183,646	4,576,550
Contribution receivable	159,939	(181,846)
Service reimbursements receivable	(22,914)	972,210
Supplies inventory	(4,490)	(12,628)
Advances to subcontractors	1,114,359	(1,111,579)
Deposits and other assets	(59,805)	77,682
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(2,682,099)	(10,924,340)
Advances from government and other agencies	(10,822,081)	13,195,954
Pension liability	(2,193,174)	(1,468,628)
Net Cash (Used in) Provided by Operating Activities	(7,316,623)	8,188,201
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(313,892)	(41,050)
Increase in certificates of deposit	(2,375)	(2,409)
Net Cash Used in Investing Activities	(316,267)	(43,459)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	300,000
Repayment of borrowings on line of credit	(410,000)	(1,500,000)
Payments of capital lease obligations	(17,684)	(126,702)
Net Cash Used in Financing Activities	(427,684)	(1,326,702)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,060,574)	6,818,040
Cash and Cash Equivalents - Beginning of Year	30,855,451	24,037,411
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 22,794,877	\$ 30,855,451
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 56,638	\$ 87,168

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1 – NATURE OF ACTIVITIES

Incorporated in November 1957 in the State of New York, Public Health Solutions is a major New York City-based nonprofit organization. As one of the country's largest public health institutes, its mission is to integrate research, policy, capacity building, and service to improve the health of people and communities throughout the country.

For more than 50 years, it has led the quest for innovation and progress in community health through its three core areas of work: both direct and contracted services to improve health, with a focus on disparities in access and outcomes; capacity- and organization-building support for the nonprofit and governmental sectors; and cutting-edge research and evaluation across its fields.

Public Health Solutions is a public charity, classified as a 501(c)(3) organization and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

B. *Cash Equivalents*

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less when acquired.

Under provisions stipulated by certain of Public Health Solutions' funding agencies, cash advances for program services are required to be held in separate accounts. Cash maintained in these segregated accounts for the Ryan White, HIV Prevention, Housing Opportunities for Persons with AIDS ("HOPWA") and Regional Catastrophic Preparedness Grant programs totaled approximately \$18,424,000 and \$27,093,000 at December 31, 2014 and 2013, respectively.

C. *Certificates of Deposit*

Certificates of deposit that are not debt securities are carried at cost, which approximates fair value because of the short maturities of the certificates of deposit.

D. *Grants Receivable*

Grants receivable are recognized to the extent of support earned in excess of advances and payments received.

E. *Supplies Inventory*

Supplies inventory, consisting primarily of pharmaceuticals, is stated at cost using the first-in, first-out method.

F. *Property and Equipment*

Public Health Solutions capitalizes property and equipment valued at \$5,000 or greater. Capital assets are stated at cost at the date of acquisition or fair value at the date of contribution, if donated. Public Health Solutions retains assets purchased with grantor restricted funds, unless the grantor requests that such equipment be returned. Purchases of property and equipment reimbursed by governmental funding sources and for which the contractual agreement specifies that title to these assets rests with the governmental funding sources are expensed.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment is depreciated over a five-year estimated useful life using the straight-line method. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset. Improvements on premises having no lease are amortized over estimated useful lives of five years. Amortization of fixed assets held under capital leases is included in depreciation and amortization expense.

G. *Advances to Subcontractors*

Advances to subcontractors consist of advances Public Health Solutions has made to subcontractors under various agreements. The amounts advanced are generally equal to 25 percent of the total grant award and will be offset against expenses incurred by the subcontractor during the grant award year. Unreimbursed allowable expenditures incurred by the subcontractors are recorded as accounts payable prior to final settlement.

H. *Advances from Government Agencies*

Advances from government agencies and all other sources are deferred when received and recorded as revenue in the period in which the related services are rendered.

I. *Net Assets (Net Deficit)*

Public Health Solutions' resources are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - include resources not subject to donor-imposed restrictions.

Temporarily restricted - include resources subject to donor-imposed stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

Permanently restricted - include resources subject to donor-imposed stipulations, requiring that the principal be maintained in perpetuity, but permit Public Health Solutions to expend part or all of the income and gains derived therefrom.

J. *Contributions*

Public Health Solutions records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either unrestricted, temporarily restricted or permanently restricted support depending on the existence of any donor restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Material contributions of noncash assets are recorded at their fair value in the period received.

K. *Government Grants, Service Contracts and Medical Reimbursement Revenue*

Public Health Solutions' grants and contracts are primarily expense reimbursement agreements; however, some arrangements are performance based.

The terms under which government grants are awarded provide for reimbursement of actual expenditures within the grant period. Funds are received in either predetermined installments or in increments based on estimated or actual expenditures for the period. When grants end, unexpended funds received are returnable to the grantor. Accordingly, grant income under these awards is recognized in amounts equal to actual expenditures incurred.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Any deficiency or excess of receipts under or over actual expenditures incurred is reported in the financial statements under the appropriate captions "Grants receivable" or "Advances from government and other agencies."

For performance based agreements, revenue is recognized when performance goals are met and/or contract deliverables are completed.

Service contract revenue and medical reimbursement revenue are recognized at the time the contractual service is delivered.

L. *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. *Functional Expense Allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

N. *Fair Value Measurements*

Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

Public Health Solutions had no financial assets or liabilities carried at fair value as of December 31, 2014 and 2013.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The financial instruments that potentially subject Public Health Solutions to concentrations of credit risk consist principally of cash and cash equivalents, certificates of deposit, and grants and service reimbursement receivables.

At times during the year, Public Health Solutions' cash balances and certificates of deposit may exceed the limits of Federal Deposit Insurance Corporation ("FDIC") insurance coverage. At December 31, 2014 and 2013, Public Health Solutions' uninsured cash balances and certificates of deposit totaled approximately \$28.7 million and \$34.5 million, respectively. Management does not anticipate nonperformance by the financial institution and believes that the credit risk related to these accounts is negligible.

Grants and service reimbursement receivables' credit risk is limited due to the nature of the grants and the services. Public Health Solutions regularly monitors its grant and service reimbursement receivables by investigating delayed payments and differences when payments received do not conform to the amount billed. Public Health Solutions considered all grant and service reimbursements receivables at December 31, 2014 and 2013 as collectible.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 3,824,496	\$ 3,609,274
Equipment, furniture and fixtures	<u>1,248,747</u>	<u>1,210,280</u>
Total cost	5,073,243	4,819,554
Less: Accumulated depreciation and amortization	<u>(4,614,815)</u>	<u>(4,486,057)</u>
Net book value	<u>\$ 458,428</u>	<u>\$ 333,497</u>

During the years ended December 31, 2014 and 2013, Public Health Solutions wrote-off fully depreciated property and equipment of \$60,203 and \$162,231, respectively.

The following is a summary of property and equipment held under capital leases at December 31, 2014 and 2013, which are included in the amounts above:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 1,344,924	\$ 1,344,924
Equipment, furniture and fixtures	<u>608,184</u>	<u>608,184</u>
Total cost	1,953,108	1,953,108
Less: Accumulated depreciation and amortization	<u>(1,953,108)</u>	<u>(1,953,108)</u>
Net book value	<u>\$ -</u>	<u>\$ -</u>

The property and equipment listed above collateralize certain capital lease obligations (see Note 8).

NOTE 5 – PENSION PLANS

Public Health Solutions has a frozen defined benefit pension plan (the “Plan”) covering certain employees who completed 1,000 hours of service for each of the five years required to vest. The Plan calls for benefits to be paid to eligible employees at retirement based primarily on years of service and average salary, as defined.

Plan valuation for funding purposes and for financial reporting purposes is prepared using the required projected unit credit method. Public Health Solutions' policy is to fund the pension expenses determined by the projected unit credit method, subject to the Internal Revenue Service funding limitation rules.

The obligations and funded status of the Plan was as follows:

	<u>2014</u>	<u>2013</u>
Benefit obligation at December 31	\$ (63,099,935)	\$ (54,948,992)
Fair value of Plan assets at December 31	<u>39,472,225</u>	<u>38,275,495</u>
Net unfunded status of the Plan at December 31	<u>\$ (23,627,710)</u>	<u>\$ (16,673,497)</u>
Net periodic benefit cost	<u>\$ 643,326</u>	<u>\$ 804,148</u>
Accumulated benefit obligation at December 31	<u>\$ (63,099,935)</u>	<u>\$ (54,948,992)</u>
Employer contributions	<u>\$ 2,836,500</u>	<u>\$ 2,272,776</u>
Benefits paid	<u>\$ 3,060,608</u>	<u>\$ 2,915,921</u>

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 – PENSION PLANS (Continued)

	2014	2013
Accrued pension liability recognized in the statement of financial position	\$ <u>23,627,710</u>	\$ <u>16,673,497</u>
Net unrecognized actuarial loss included in unrestricted net assets	\$ <u>34,456,573</u>	\$ <u>25,309,186</u>

The change in net unrecognized actuarial loss during 2014 and 2013 included the following:

	2014	2013
January 1, net unrecognized actuarial loss included in unrestricted net assets	\$ 25,309,186	\$ 33,632,831
Actual return on plan assets	(1,896,741)	(5,261,498)
Expected return on plan assets	2,715,328	2,546,355
Actuarial loss/(gain)	8,662,732	(5,000,060)
Amortization of net loss	(809,835)	(987,567)
Plan expenses paid	475,903	379,125
December 31, net unrecognized actuarial loss included in unrestricted net assets	\$ <u>34,456,573</u>	\$ <u>25,309,186</u>

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Net loss/(gain)	\$ 9,957,222	\$ (7,336,078)
Amortization of net loss	(809,835)	(987,567)
Total recognized in change in unrestricted net assets	\$ <u>9,147,387</u>	\$ <u>(8,323,645)</u>
Total recognized in net periodic pension cost and change in unrestricted net assets	\$ <u>9,790,713</u>	\$ <u>(7,519,497)</u>

The estimated net loss for the pension plan that will be amortized from the unrestricted net asset balance into net periodic benefit cost over the next fiscal year is \$1,068,158.

The following table provides weighted average assumptions and certain other information for the Plan:

	2014	2013
The weighted average assumptions used to determine benefit obligations were as follows:		
Discount rate	4.00%	4.75%
The weighted average assumptions used to determine net periodic benefit costs were as follows:		
Discount rate	4.75%	4.00%
Expected long-term return on plan assets	7.50%	7.50%

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 – PENSION PLANS (Continued)

The expected long-term rate of return on assets assumption represents the average earnings rate expected on the funds invested or to be invested to cover the accumulated benefit obligation. The assumption reflects expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

Estimated future benefit payments based on expected future service for each of the five years subsequent to December 31, 2014 and in the aggregate for the five years thereafter are as follows:

2015	\$	3,381,183
2016		3,408,790
2017		3,464,577
2018		3,509,048
2019		3,550,988
2020-2024		17,673,480

Investment Policies and Strategies

State Street Bank & Trust Company is the custodian for all Plan funds.

The Plan is managed under a diversified investment program with the goals of capital preservation and income generation. Plan assets are allocated among specialized long-term investment strategies designed to maximize total return while minimizing the risk of loss of principal and the erosion of principal due to inflation.

The primary means by which capital preservation is to be achieved is through the diversification of the Plan's investments across asset classes. The appropriate level of risk for the Plan is determined by examining the risk and reward of numerous asset allocation alternatives.

The adopted asset allocation policy as of December 31, 2014 was as follows:

	<u>Target</u>	<u>Range</u>
Domestic Equity - Large Cap	20.75%	15.75 – 25.75%
Domestic Equity - Small Cap	13.50%	11.00 – 16.00%
International Equity - Developed	15.00%	12.50 – 17.50%
International Equity - Emerging Markets	7.75%	5.25 – 10.25%
Fixed Income - Core	18.75%	13.75 – 23.75%
Fixed Income - High Yield	4.75%	2.25 – 7.25%
Real Estate	9.50%	7.00 – 12.00%
Hedge Fund of Funds	5.00%	2.50 – 7.50%
Real Assets	5.00%	2.50 – 7.50%

The Plan's Trustees desire to achieve investment results that will culminate in promised plan benefits being ultimately paid to plan participants and their beneficiaries. Benefits will be paid from a combination of employer contributions and investment earnings of the Plan's assets. The amount the employer is obligated to contribute to the Plan is dependent on the performance of the invested assets.

It is the intention of the Trustees to allow each Investment Manager discretion in investing the account it manages on the Plan's behalf (its "Account") within the scope of the Plan's statement of overall investment objectives and policy, and any legal documentation such as prospectuses or other representations and warranties.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 – PENSION PLANS (Continued)

The Plan will invest in:

Six commingled funds, managed by State Street Global Advisors:

- S&P 500 Flagship Securities Lending Fund
- Russell 2000 Index Securities Lending Fund
- U.S. Aggregate Bond Index Securities Lending Fund
- International Alpha Securities Lending Fund
- Daily MSCI Emerging Markets Index Non-Lending Fund
- Real Asset Non-Lending Fund

A high yield fund, managed by Neuberger Berman:

- The Neuberger Berman High Income Fund

An open-ended real estate fund, managed by UBS Realty Advisors:

- UBS Trumbull Property Fund

Three commingled hedge fund of funds, managed by Aetos Capital:

- Aetos Capital Multi-Strategy Arbitrage Cayman Fund
- Aetos Capital Distressed Investment Strategies Cayman Fund
- Aetos Capital Long/Short Strategies Cayman Fund

The investment strategies used will be determined by mutual consent of the Trustees and the investment managers, and no changes in the accounts will be made without the mutual consent of both parties.

The expected long term rate of return on assets is between 7% and 8% per annum. The assumption is based on the investment consultant's projected returns for each major category. The assumptions combine a historical and forward thinking approach. The building blocks approach is utilized to determine the major categories' assumptions. The 10-year Treasury Strip is used as the initial building block for a number of reasons. The yield on the 10-year Treasury Strip is a guaranteed payment in 10 years, which would correspond to a more predictable risk-free rate. In addition, it has the same horizon that the capital market assumptions are intended to forecast.

The next building block for the equity assumptions is the risk premium. The equity risk premium is determined by taking into account various white papers, presentations, and interviews with thought leaders and industry experts coupled with the consultant's view of the economic environment. For each equity category, various additions to this premium are made based on the specific asset class.

For fixed income the consultant begins with the risk-free rate adding various premia based on historical spread and default risk, mindful of specific characteristics relevant to each asset class.

A similar approach is taken in the alternative space to develop assumptions for real estate, hedge funds and commodities. The fixed income framework is applied for real estate.

In order to allow for uncertainties associated with forecasting capital market assumptions, the consultant uses stochastic modeling for all asset allocation studies, which provides a broad range of possible outcomes. Stochastic modeling generates a thousand iterations or possible outcomes, which are then averaged to present results for further analysis, including the probability of achieving a particular outcome. Asset allocation studies include return and wealth percentile charts that emphasize the range of probable outcomes.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 – PENSION PLANS (Continued)

Significant Concentrations of Risk

Investments within each major category are diversified among type of investment, sectors within the investment and weight in the total account to reduce concentration risk. The major categories can be categorized from least risky to most risky in terms of investment mandate as follows: domestic fixed income, real estate, high yield fixed income, large cap equity, small cap equity, international equity, emerging markets equity.

Fair Value Measurements of Plan Assets

The Plan values its assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

The three levels denote a classification of the inputs used to measure fair value and are not intended to provide an indication of the quality or safety of the investments and other financial assets.

The Plan's financial assets measured at fair value on a recurring basis as of December 31, 2014 were classified in the tables below in one of the three categories as defined above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common/Collective Trusts:				
Domestic Equity – Large Cap	\$ -	\$ 7,892,742	\$ -	\$ 7,892,742
Domestic Equity – Small Cap	-	5,222,505	-	5,222,505
International Equity – Developed	-	5,716,072	-	5,716,072
Fixed Income – Core	-	7,248,006	-	7,248,006
Total Common Collective Trusts	-	26,079,325	-	26,079,325
Registered Investment Company:				
Real Asset	-	1,918,213	-	1,918,213
International Equity – Emerging Markets	-	2,966,217	-	2,966,217
Fixed Income High Yield	-	1,836,959	-	1,836,959
Total Registered Inv. Company	-	6,721,389	-	6,721,389
Partnership/Joint Venture Interest:				
Real Estate	-	-	4,788,849	4,788,849
Hedge Fund of Funds	-	-	1,883,433	1,883,433
Cash Equivalents and Receivables for Securities Sold				
	(771)	-	-	(771)
Total Plan Assets	\$ (771)	\$ 32,800,714	\$ 6,672,282	\$ 39,472,225

PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 5 – PENSION PLANS (Continued)

The changes in assets measured at fair value for which the Plan has used Level 3 inputs to determine fair value are as follows for the year ended December 31, 2014:

	<u>Level 3 Reconciliation</u>					
	Balance, January 1, 2014	Advisory, Management and Performance Fees	Investment Income	Realized and Unrealized Gains	Balance, December 31, 2014	Change in Unrealized Gain (Loss) for Investments Still Held at December 31, 2014
Real Estate/Hedge Funds	<u>\$ 6,145,507</u>	<u>\$ (53,443)</u>	<u>\$ 330,899</u>	<u>\$ 249,319</u>	<u>\$ 6,672,282</u>	<u>\$ 276,106</u>

The Plan's financial assets measured at fair value on a recurring basis as of December 31, 2013 were classified in the tables below in one of the three categories as defined above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common/Collective Trusts:				
Domestic Equity – Large Cap	\$ -	\$ 7,808,174	\$ -	\$ 7,808,174
Domestic Equity – Small Cap	-	5,069,049	-	5,069,049
International Equity – Developed	-	5,623,764	-	5,623,764
Fixed Income – Core	-	7,050,342	-	7,050,342
Total Common Collective Trusts	<u>-</u>	<u>25,551,329</u>	<u>-</u>	<u>25,551,329</u>
Registered Investment Company:				
Real Asset	-	1,886,007	-	1,886,007
International Equity – Emerging Markets	-	2,898,369	-	2,898,369
Fixed Income High Yield	-	1,808,310	-	1,808,310
Total Registered Inv. Company	<u>-</u>	<u>6,592,686</u>	<u>-</u>	<u>6,592,686</u>
Partnership/Joint Venture Interest:				
Real Estate	-	-	4,339,282	4,339,282
Hedge Fund of Funds	<u>-</u>	<u>-</u>	<u>1,806,225</u>	<u>1,806,225</u>
Cash Equivalents and Receivables for Securities Sold	<u>(14,027)</u>	<u>-</u>	<u>-</u>	<u>(14,027)</u>
Total Plan Assets	<u>\$ (14,027)</u>	<u>\$ 32,144,015</u>	<u>\$ 6,145,507</u>	<u>\$ 38,275,495</u>

The changes in assets measured at fair value for which the Plan has used Level 3 inputs to determine fair value are as follows for the year ended December 31, 2013:

	<u>Level 3 Reconciliation</u>					
	Balance, January 1, 2013	Advisory, Management and Performance Fees	Investment Income	Realized and Unrealized Gains	Balance, December 31, 2013	Change in Unrealized Gain (Loss) for Investments Still Held at December 31, 2013
Real Estate/Hedge Funds	<u>\$ 5,614,562</u>	<u>\$ (84,888)</u>	<u>\$ 409,540</u>	<u>\$ 206,293</u>	<u>\$ 6,145,507</u>	<u>\$ 203,838</u>

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 – PENSION PLANS (Continued)

Public Health Solutions' policy is to recognize transfers in and transfers out as of the beginning of the reporting period of the event or change in circumstance that caused the transfer. There was no transfer between levels as of December 31, 2014 and 2013.

In determining fair value, the Plan utilizes valuation techniques that maximize the use of observable inputs, such as prices and other relevant information generated by market transactions involving identical or comparable assets ("market approach"), and minimize the use of unobservable inputs to the extent possible, and also considers counterparty credit risk.

The following is a description of the valuation methodology used for assets at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

Common/Collective Trusts:

The Plan's interests in the common/collective trusts are valued using the net asset value ("NAV") provided by the administrator of the trust and are based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares outstanding.

Registered Investment Companies:

The investments in registered investment companies are valued at the NAV of shares held by the Plan at year-end as provided by the investment manager. The underlying investments are generally valued using market quotations or prices obtained from independent pricing services.

Partnership/Joint Venture Interests and Hedge Fund of Funds:

The fair value of the investments in partnership/joint venture interests and hedge fund of funds is provided by the general partner or fund manager, and may be based on historical cost, appraisals, obtainable prices for similar assets or other estimates.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Redemption terms vary among the funds ranging to a maximum requirement of 60 days' notice. There were no redemption restrictions as of December 31, 2014 and 2013.

There are no unfunded commitments at December 31, 2014 and 2013.

Public Health Solutions plans to contribute approximately \$1,792,000 in either cash or cash and credits to fund the Plan in 2015.

Other Plans

In an effort to help stabilize future pension costs, Public Health Solutions' Board of Directors froze the defined benefit plan as of December 31, 2006, and a new defined contribution plan, the Retirement Savings Plan, was established for employees effective January 1, 2007.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 – PENSION PLANS (Continued)

The Retirement Savings Plan is a self-directed 403(b) plan open to all non-union employees. Under the Retirement Savings Plan's provisions, Public Health Solutions contributes a percentage of eligible pay, on a sliding scale based on years of service in the form of basic and transition funds, and matches employee contributions to a maximum of two percent of pay. For the years ended December 31, 2014 and 2013, Public Health Solutions contributed \$597,443 and \$1,524,033, respectively, to the Retirement Savings Plan. Employees vest in the employer match after three years of service. The Retirement Savings Plan offers a variety of investment choices including a range of lifecycle funds and is fully portable. All of the Retirement Savings Plan's assets, which totaled \$28,758,770 and \$24,507,579, respectively, on December 31, 2014 and 2013, are administered by the Verisight Trust Company and Vanguard in 2014.

Effective January 1, 1978, Public Health Solutions adopted a 403(b) Tax Deferred Annuity ("TDA") Plan for all employees. The TDA is funded solely by employee contributions. In conjunction with the opening of the Retirement Savings Plan, the TDA was closed to additional active employee contributions effective January 1, 2007. All of the TDA's assets, which totaled \$13,758,197 and \$13,472,249, respectively, on December 31, 2014 and 2013, are administered by TIAA-CREF, Mutual of America, and Mass Mutual (formerly The Hartford).

Effective April 7, 2003, Public Health Solutions adopted a nonqualified 457(b) Deferred Compensation Plan for highly compensated employees. The Plan is funded solely by employee contributions. All of the Plan's assets, which totaled \$886,362 and \$745,675, respectively, on December 31, 2014 and 2013, are administered by TIAA-CREF and the Verisight Trust Company and Vanguard.

During the years ended December 31, 2014 and 2013, Public Health Solutions contributed \$64,837 and \$79,655, respectively, into a multi-employer defined contribution pension plan for all union employees.

NOTE 6 – LINE OF CREDIT

At December 31, 2014 and 2013, Public Health Solutions had a \$5 million line of credit with a financial institution. The line of credit had outstanding balances of \$1,400,000 and \$1,810,000 at December 31, 2014 and 2013, respectively. The line expires on March 28, 2016 and is collateralized by Public Health Solutions' receivables. Management expects to renew the line of credit upon expiration. Interest expense incurred for the line of credit amounted to \$54,780 and \$84,374 for the years ended December 31, 2014 and 2013, respectively.

NOTE 7 – RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 and 2013 consisted of \$1,255,161 and \$1,125,084, respectively. The funds were received from donors to be used to support Public Health Solutions' programs.

Net assets released from restrictions for the years ended December 31, 2014 and 2013 were released by incurring expenses satisfying the program restrictions and the expiration of time restrictions specified by the donors.

At December 31, 2014 and 2013, Public Health Solutions had no permanently restricted net assets.

NOTE 8 – LEASE COMMITMENTS

Public Health Solutions leases certain fixed assets under capital lease obligations which have expiration dates through 2014. Capital lease obligations were \$0 and \$17,684 at December 31, 2014 and 2013, respectively.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 8 – LEASE COMMITMENTS (Continued)

Public Health Solutions holds 15 operating lease commitments (one for administrative offices and 14 for project services) that have expiration dates through 2022. The following is a yearly schedule of future minimum rental commitments under these leases:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$ 3,757,183
2016	3,225,927
2017	3,125,534
2018	3,098,122
2019	3,109,205
Thereafter	<u>9,011,121</u>
Total	<u>\$ 25,327,092</u>

Public Health Solutions anticipates that as leases expire new leases will be entered into at rentals which are not less than those previously paid for the equivalent facilities. Rent expense totaled approximately \$5,100,000 and \$6,500,000 in 2014 and 2013, respectively.

NOTE 9 – CONTINGENCIES

- A. Grant awards received from governmental agencies provide grantors the right to audit transactions charged to projects and services rendered by Public Health Solutions with right of reimbursement. Audits were conducted in 2014 and it is management's opinion that no material liability exists that could affect the financial statements in connection with any such audits. In 2014, the New York State Office of the Medicaid Inspector General resurrected a long-dormant audit of Medicaid payments for prenatal care and family planning services provided at PHS' diagnostic and treatment centers. Management is vigorously defending against the audit's disallowances, outside counsel and other experts, having found significant flaws in the audit's methodology, findings and conclusions.
- B. In the normal course of its operations, Public Health Solutions is a defendant or co-defendant in various legal proceedings, including medical malpractice claims arising out of the MIC program's prenatal care services. While the ultimate outcomes of such proceedings cannot be determined with certainty, Public Health Solutions' liability exposure in medical malpractice cases is generally limited because most medical professionals providing services at MIC centers have done so pursuant to agreements containing indemnification provisions that Public Health Solutions has entered into with major New York City hospitals. Management does not expect the resolution of legal proceedings brought against it to have a material adverse effect on Public Health Solutions' financial position.

At the end of 2014, there were three lawsuits alleging malpractice by Public Health Solutions. In these cases, the professional medical services at MIC were provided pursuant to an Agreement between Public Health Solutions and a hospital. Those Agreements require the hospital to indemnify Public Health Solutions for the actions of the hospitals' professionals. One case involves a stillbirth, another is a wrongful death action brought on behalf of the decedent MIC patient and the third is a case alleging untreated fetal distress. The cases are in, or at the end of, the discovery phase. The outside attorneys representing Public Health Solutions in these matters have opined that recoveries, if any, would be below our insurance limits.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 9 – CONTINGENCIES (Continued)

C. Effective July 1, 2010, Public Health Solutions changed its employee health insurance program from an indemnification plan to a self-insured plan. Under self insurance, Public Health Solutions pays administrative fees, stop-loss insurance premiums, and the actual cost of claims to the plan's third-party administrator. Claim costs are capped under the terms of the stop-loss protection. However, there are typically other assets and liabilities to consider in evaluating a self-insured plan's total run-out costs. These include the imprest balance or letter of credit, pharmacy rebate accruals and run-out cost of immature administrative fees. In the case of Public Health Solutions however, there are no pharmacy rebates paid to the plan sponsor and the administrative fee is mature, leaving Public Health Solutions with no administrative cost liability in the event of plan termination. As of December 31, 2014 and 2013, the plan's third-party administrator was holding a letter of credit of \$63,500 as collateral for the imprest balance. Such letter of credit was secured by certificates of deposit held by Public Health Solutions.

The plan's cost also incorporates a health insurance reserve, which is an estimate of incurred but unreported medical claims. The reserve estimate, developed by Public Health Solutions' benefits consultant's actuary, is based on a chain ladder approach, wherein historical claim payout patterns were evaluated and averaged in order to estimate the outstanding liability of claims incurred prior to year-end. The estimated loss reserve of approximately \$557,000 and \$562,000 as of December 31, 2014 and 2013 respectively, is included in accounts payable and accrued liabilities in the accompanying financial statements. Public Health Solutions intends to continue monitoring claims experience, claims cost, and the adequacy of the reserve requirement.

D. Public Health Solutions had no uncertain income tax positions as of December 31, 2014 and 2013 in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions. Public Health Solutions is no longer subject to federal or state and local income tax examinations by tax authorities for years ended before 2011.

NOTE 10 – RELATED PARTY TRANSACTIONS

As a major player in New York City's public health arena, Public Health Solutions seeks and obtains Board of Director candidates from a wide range of hospitals, universities and other New York City area organizations that provide health services or are otherwise connected to the public health field. In addition, Article 1, Sections 2 and 4 of Public Health Solutions' by-laws mandate the appointment of three local public health officials as ex-officio Directors; the Commissioner of the New York City Department of Health, the President of the New York City Health & Hospitals Corporation and the Chief Medical Examiner of the City of New York. Together, all of these individuals bring indispensable skills and expertise to Public Health Solutions' Board of Directors. However, due to the broad scope of services Public Health Solutions provides, Public Health Solutions has business arrangements with certain public agencies and private organizations where the ex-officio Directors and certain other Directors are agency heads or key employees.

The total amount contracted with such agencies and organizations approximated \$153 million and \$141 million in 2014 and 2013, respectively. Contracts with local government agencies are awarded in accordance with rigorous government procurement regulations. The award of contracts to Director and ex-officio Director-affiliated organizations comply with Public Health Solutions' purchasing procedures; Directors and ex-officio Directors play no role in the process in either their organizational or directorship capacities. Management believes that Public Health Solutions is in full compliance with its comprehensive conflict of interest policy.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through July 1, 2015, the date the financial statements were available to be issued.

**PUBLIC HEALTH SOLUTIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
Public Health Emergency Preparedness: Emergency Preparedness	93.069		\$ 18,361,107
Adult Viral Hepatitis Prevention and Control: Perinatal Hepatitis B Prevention	93.270		186,075
Family Planning Services Title X Adoption and Implementation of HIT in Family Planning Routine HIV Testing, HIV Care and Treatment Title X - HIEP	93.217		3,727,073 211,057 549,418 25,671 4,513,219
Drug Abuse National Research Service Awards for Research Training: Behavioral Science Training	93.278		865,161
Preventive Health Services - Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education: HIV Prevention Training Center	93.941		579,566
PPHF 2013-Cooperative Agreement to Support Navigators in Federally-Facilitated and State Partnership Exchanges: PPHF - Cooperative Agreement to Support Navigators	93.750		314,526
Children's Health Insurance Program: Connecting Kids to Coverage Outreach and Enrollment Program	93.767		397,790
National Bioterrorism Hospital Preparedness Program: Hospital Preparedness Program - HPP	93.889		7,168,167
HHS Programs for Disaster Relief Appropriations Act - Non Construction: Impact of Hurricane Sandy on Morbidity and Mortality in NYC	93.095		244,741
Mental Health Research Grants: Scale-up of an Internet-Delivered Randomized Controlled Trial for HIV+Men	93.242		417,642
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF): PPHF 2014: NYCDOHMH Enhance an IIS to Interface with VTRCKS PPHF 2014: NYCDOHMH Immunization Infrastructure Enhancements to Meet Interoperability Requirements	93.733		111,932 158,493 270,425
Healthy Start Initiative: Healthy Start Initiative	93.926		1,459
Pass-Through from New York City Department of Health and Mental Hygiene: HIV Emergency Relief Project Grants - Ryan White	93.914	H89HA00015	99,406,222
HIV Prevention Activities - Health Department Based	93.940	2U62PS223460	22,160,278
HIV Prevention Activities Non-Governmental Organization Based Capacity Building Assistance for High-Impact HIV Prevention	93.939	1U65PS00451-01 (PS14-1403)	19,699
Pass-Through from New York State Department of Health: Temporary Assistance for Needy Families - Bushwick Bright Start	93.558	C026198	649,104
Children's Health Insurance Program: IPA Navigator Program	93.767	C028889	12,393
Medical Assistance Program: IPA Navigator Program MICHC	93.778	C028889 C028971	177,221 284,941 462,162
State Planning and Establishment Grants for the Affordable Care Act: IPA Navigator Program	93.525	C028889	867,514
Maternal and Child Health Services Block Grant to the States: MIC-Women's Health Service MCH	93.994	C027053	72,936
Pass-Through from Research Foundation of the State University of New York: Maternal and Child Health Services Block Grant to the States: SIDS Info Counseling	93.994	1114596/3/6600 69296/2/112120	190,853 263,789
Pass-Through from Fund for Public Health in New York: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants: FPHNY-Tobacco Control Reimbursement Community Transformation FPHNY-Neighborhood Contractors	93.531	80404 7202PUBLHS-001-P 80420	286,799 684,506 9,451 980,756

**PUBLIC HEALTH SOLUTIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Pass-Through from Community Health Network: Special Projects of National Significance: TWEET Care	93.928		\$ 34,691
Pass-Through from National Network of Public Health Institutes : Centers for Disease Control and Prevention-Investigation and Training Assistance: Get Yourself Tested Opioid Project	93.283	C500	3,631 5,398 <u>9,029</u>
Cooperative Agreements to Improve the Health Status of Minority Populations: Tool for Health and Resilience in Vulnerable Environments-THRIVE	93.004	C633	<u>5,000</u>
Pass-Through from The General Hospital Corporation Centers for Disease Control and Prevention_ Investigations and Training Assistance: Global Travepinet	93.283	224928	<u>35,001</u>
Pass-Through from National Association of Countries Medical Reserve Corps Small Grant Program: Medical Reserve Corps-MRC	93.008	253	<u>3,108</u>
Pass-Through from HLN Consulting, LLC Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance: HLN Consulting, LLC	93.733		<u>167,497</u>
Pass-Through from New York Blood Center, Inc. Child Health and Human Development Extramural Research: Using Technology to Match Young Black MSM to HIV Testing Options	93.865	NIH000262	<u>76,737</u>
Pass-Through from Conference of Radiation Control Program Directors, Inc Environmental Public Health and Emergency Response: NYC Radiation Response Volunteer Corps - RRVC	93.070		<u>7,494</u>
Pass-Through from Greater Jamaica Development Corporation. Community Services Block Grant_Discretionary Awards: Queens Healthy Store Initiative	93.570		<u>106,554</u>
Total Funded by U.S. Department of Health and Human Services:			<u>158,586,906</u>
Department of Homeland Security Pass-Through from New York City Office of Emergency Management: Regional Catastrophic Preparedness Grant Program (RCPGP) - OEM	97.111	C881189	<u>5,096,049</u>
Total Funded by Department of Homeland Security			<u>5,096,049</u>
U.S. Department of Agriculture: Direct Awards: Wholesale Farmers and Alternative Market Development: Expanding Regional Produce Procurement in Detroit Public Schools	10.164		<u>39,989</u>
Pass-Through from New York State Department of Health: Special Supplemental Nutrition Program for Women, Infants and Children: Women, Infants & Children Supplemental Food Program Women, Infants & Children Supplemental Food Program (Noncash Vouchers) Women, Infants & Children Vendor Consolidation Program	10.557	C025785 C025785 C025816	7,233,602 36,105,290 1,048,349 <u>44,387,241</u>
Pass-Through from NYU School of Medicine Agriculture and Food Research Initiative: Starting Early: Obesity Prevention	10.310	10-02175	<u>62,360</u>
Total Funded by U.S. Department of Agriculture			<u>44,489,590</u>
U.S. Department of Labor: Pass-Through from New York State Department of Labor: Compensation and Working Conditions: Fatal Occupational Injuries	17.005	C015071	<u>76,297</u>
Total Funded by U.S. Department of Labor			<u>76,297</u>
U.S. Department of Housing and Urban Development Pass-Through from New York City Department of Health and Mental Hygiene: Housing Opportunities for Persons with AIDS - HOPWA HOPWA Transitional Housing	14.241	2U62PS223460	<u>48,805</u>
Total Funded by U.S. Department of Housing and Urban Development			<u>48,805</u>
U.S. Department of Justice Pass-Through from New York Chief Medical Examiner: National Institute of Justice Research, Evaluation, and Development Project Grants: OCME-Forensic Science Training	16.560	81620130001923	<u>357,998</u>
Total Funded by U.S. Department of Justice			<u>357,998</u>
Total Expenditures of Federal Awards			<u>\$ 208,655,645</u>
Total Expenditures of Federal Awards and Noncash Assistance			<u>\$ 208,655,645</u>

**PUBLIC HEALTH SOLUTIONS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant expenditures of Public Health Solutions for the year ended December 31, 2014, and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations." Therefore, some accounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

The schedule of expenditures of federal awards includes Women, Infants and Children ("WIC") Supplemental Food Program checks redeemed totaling \$36,105,290, which are not recognized as revenue or expense in Public Health Solutions' financial statements. Such amount represents checks distributed directly by the New York State Department of Health to clients screened at Public Health Solutions' WIC clinic sites.

NOTE 2 – SUBRECIPIENTS

Of the expenditures of federal awards presented on the schedule, Public Health Solutions provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Ryan White HIV Care Services	93.914	\$ 93,445,821
HIV Prevention	93.940	14,790,152
Emergency Preparedness	93.069	13,751,539
Title X	93.217	2,102,700
HOPWA Transitional Housing	14.241	46,368
Hospital Preparedness	93.889	1,623,938
Routine HIV Test, Care, Treat	93.217	<u>381,567</u>
 Total		 <u>\$ 126,142,084</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors of
Public Health Solutions

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Public Health Solutions (the "Organization"), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 1, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Marko Paneth LLP in cursive script.

New York, NY
July 1, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors of
Public Health Solutions

Report on Compliance for Each Major Federal Program

We have audited Public Health Solutions (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2014. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

Purpose of this 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



New York, NY
July 14, 2015

**PUBLIC HEALTH SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Section I—Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported

Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>	
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> </u> Yes	<u> X </u> No
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Identification of major programs:

CFDA 93.914 – HIV Emergency Relief Projects Grant
CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants and Children

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$3,000,000</u>	
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

**PUBLIC HEALTH SOLUTIONS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Prior Year Findings:

There were no findings in the prior year audit.