



**Financial Statements
(Together with Independent Auditors' Report)**

**For the Years Ended December 31, 2020 and 2019
and
Single Audit Reports and Schedule as Required by the
Office of Management and Budget Uniform Guidance**

For the Year Ended December 31, 2020

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

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
AND
SINGLE AUDIT REPORTS AND SCHEDULE AS REQUIRED BY THE OFFICE OF
MANAGEMENT AND BUDGET UNIFORM GUIDANCE**

FOR THE YEAR ENDED DECEMBER 31, 2020

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-24
Single Audit:	
Schedule of Expenditures of Federal Awards	25-26
Notes to the Schedule of Expenditures of Federal Awards	27
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 <i>Government Auditing Standards</i>	28-29
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	30-31
Schedule of Findings and Questioned Costs.....	32
Summary Schedule of Prior Year Audit Findings	33

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020, (shown on pages 25-26) as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, (*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*) (the "Uniform Guidance"), 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 November 15, 2021 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.

Marks Paneth LLP

New York, NY

November 15, 2021, except for the SEFA, as to which date is December 21, 2021

**PUBLIC HEALTH SOLUTIONS
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 2B, 3, 4 and 11C)	\$ 22,897,526	\$ 26,779,553
Certificates of deposit (Notes 2C, 3, 4 and 11C)	395,329	389,715
Grants receivable (Notes 2D, 2K, 3 and 4):		
Federal	7,326,726	6,549,641
New York State/New York City	25,841,335	17,943,175
Private	1,208,682	556,653
Contributions receivable (Notes 2J and 3)	9,882	19,401
Service reimbursements receivable (Notes 2K, 3 and 4)	152,733	172,540
Supplies inventory (Note 2E)	49,276	134,559
Advances to subcontractors (Note 2G)	5,199,952	2,836,292
Deposits and other assets	473,764	228,793
Total current assets	63,555,205	55,610,322
Non-current assets:		
Property and equipment, net of accumulated depreciation and amortization (Notes 2F and 5)	2,356,671	1,701,316
Deposits and other assets	464,086	429,088
Total non-current assets	2,820,757	2,130,404
TOTAL ASSETS	\$ 66,375,962	\$ 57,740,726
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (Note 11C)	\$ 49,307,457	\$ 43,408,327
Paycheck Protection Program refundable advance (Note 10)	2,466,805	-
Borrowings under line of credit (Note 7)	2,650,000	2,650,000
Advances from government and other agencies (Note 2H and 2K)	12,171,648	12,945,988
Total current liabilities	66,595,910	59,004,315
Non-current liabilities:		
Pension liability (Note 6)	23,492,405	21,307,271
Total non-current liabilities	23,492,405	21,307,271
TOTAL LIABILITIES	90,088,315	80,311,586
COMMITMENTS AND CONTINGENCIES (Notes 9 and 11)		
NET ASSETS (DEFICIT) (Note 2I)		
Without donor restrictions:		
Undesignated	21,074,089	18,040,230
Net unrecognized actuarial loss on pension plan (Note 6)	(44,840,872)	(40,669,910)
Total net assets (deficit) without donor restrictions	(23,766,783)	(22,629,680)
With donor restrictions (Note 8)	54,430	58,820
TOTAL NET ASSETS (DEFICIT)	(23,712,353)	(22,570,860)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 66,375,962	\$ 57,740,726

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

**PUBLIC HEALTH SOLUTIONS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total 2020	Without Donor Restrictions	With Donor Restrictions	Total 2019
REVENUES AND SUPPORT:						
Government grants, service contracts and medical reimbursements (Note 2K):						
New York State	\$ 24,071,047	\$ -	\$ 24,071,047	\$ 22,349,889	\$ -	\$ 22,349,889
New York City	168,680,984	-	168,680,984	175,520,030	-	175,520,030
Federal	43,903,849	-	43,903,849	34,181,897	-	34,181,897
Medicaid and other third party	871,293	-	871,293	1,315,183	-	1,315,183
Interest income	49,384	-	49,384	44,613	-	44,613
Other income (Note 2O)	2,295,176	-	2,295,176	644,654	-	644,654
Nongovernment grants and contributions (Note 2J):						
Foundations and private grants (Note 10)	10,924,422	-	10,924,422	7,237,767	-	7,237,767
Contributions	1,503,130	2,500	1,505,630	861,504	19,000	880,504
Net assets released from restrictions (Notes 2I and 8)	6,890	(6,890)	-	52,402	(52,402)	-
TOTAL REVENUES AND SUPPORT	252,306,175	(4,390)	252,301,785	242,207,939	(33,402)	242,174,537
EXPENSES (Note 2M):						
Program services:						
Reproductive health	4,309,235	-	4,309,235	7,190,821	-	7,190,821
HIV/STD	137,806,329	-	137,806,329	141,727,709	-	141,727,709
Nutrition	12,633,738	-	12,633,738	11,426,065	-	11,426,065
Child health and development	3,129,424	-	3,129,424	3,339,642	-	3,339,642
Emergency preparedness	38,912,505	-	38,912,505	27,430,955	-	27,430,955
Other miscellaneous programs	43,324,845	-	43,324,845	40,592,379	-	40,592,379
Total program services	240,116,076	-	240,116,076	231,707,571	-	231,707,571
Management and general	7,640,350	-	7,640,350	6,734,409	-	6,734,409
Fundraising and development	453,263	-	453,263	454,100	-	454,100
TOTAL EXPENSES	248,209,689	-	248,209,689	238,896,080	-	238,896,080
CHANGE IN NET ASSETS BEFORE PENSION LIABILITY ADJUSTMENT	4,096,486	(4,390)	4,092,096	3,311,859	(33,402)	3,278,457
Pension liability adjustment (Note 6)	(4,170,962)	-	(4,170,962)	(5,571,978)	-	(5,571,978)
Net periodic benefit cost (Note 6)	(1,062,627)	-	(1,062,627)	(1,289,034)	-	(1,289,034)
CHANGE IN NET ASSETS (DEFICIT)	(1,137,103)	(4,390)	(1,141,493)	(3,549,153)	(33,402)	(3,582,555)
Net assets (deficit) - beginning of year	(22,629,680)	58,820	(22,570,860)	(19,080,527)	92,222	(18,988,305)
NET ASSETS (DEFICIT) - END OF YEAR	\$ (23,766,783)	\$ 54,430	\$ (23,712,353)	\$ (22,629,680)	\$ 58,820	\$ (22,570,860)

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

**PUBLIC HEALTH SOLUTIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services						Total Program Services	Management and General	Fundraising and Development	TOTAL 2020
	Reproductive Health	HIV/STD	Nutrition	Child Health and Development	Emergency Preparedness	Other Miscellaneous Programs				
Salaries and wages	\$ 1,939,382	\$ 5,898,394	\$ 6,542,253	\$ 2,083,292	\$ 1,013,699	\$ 8,176,834	\$ 25,653,854	\$ 3,443,281	\$ 260,816	\$ 29,357,951
Payroll taxes and employee benefits excluding defined benefit plan (ERISA Funding) (Note 6)	677,116	1,562,252	1,793,583	582,351	265,760	1,508,211	6,389,273	1,084,101	68,377	7,541,751
Net periodic benefit cost (Note 6)	(95,405)	(220,120)	(252,714)	(82,053)	(37,445)	(212,507)	(900,244)	(152,749)	(9,634)	(1,062,627)
Defined benefit plan (ERISA Funding) (Note 6)	322,255	743,512	853,608	277,154	126,481	717,793	3,040,803	515,949	32,542	3,589,294
	<u>2,843,348</u>	<u>7,984,038</u>	<u>8,936,730</u>	<u>2,860,744</u>	<u>1,368,495</u>	<u>10,190,331</u>	<u>34,183,686</u>	<u>4,890,582</u>	<u>352,101</u>	<u>39,426,369</u>
Subcontractors:										
Title X	1,209	-	-	-	-	-	1,209	-	-	1,209
Ryan White	-	76,807,915	-	-	-	-	76,807,915	-	-	76,807,915
HIV Prevention	-	45,672,050	-	-	-	-	45,672,050	-	-	45,672,050
CTL Master Administrator	-	-	-	-	-	23,384,066	23,384,066	-	-	23,384,066
Emergency Preparedness	-	-	-	-	22,275,065	-	22,275,065	-	-	22,275,065
Various	568,430	1,740,915	1,950,128	-	-	2,720,817	6,980,290	-	-	6,980,290
Patient care	60,312	-	-	-	-	-	60,312	-	-	60,312
Purchased services	96,635	56,048	3,525	3,665	41,686	366,849	568,408	61,355	271	630,034
Occupancy (Note 9)	149,337	779,057	1,535,637	231,294	90,858	2,687,713	5,473,896	1,228,378	19,919	6,722,193
Supplies	280,847	903,701	263,161	26,453	1,871,796	1,893,240	5,239,198	220,530	5,235	5,464,963
Communications	54,155	115,079	174,904	53,861	85,875	225,829	709,703	148,422	1,703	859,828
Project Renovations/Non-Capital	-	5,501	4,999	-	-	-	10,500	-	-	10,500
Maintenance and repairs	31,719	26,980	175,048	8,590	608,560	202,602	1,053,499	329,670	6,792	1,389,961
Postage	1,990	967	23,590	890	-	2,922	30,359	10,404	1,119	41,882
Marketing and promotion	3,825	209,719	34,034	1,727	-	189,386	438,691	-	21,949	460,640
Printing	3,805	11,581	54,822	2,802	3,299	6,384	82,693	5,459	3,111	91,263
Insurance	58,190	33,954	42,447	4,816	1,083	16,022	156,512	90,129	-	246,641
Travel	31,726	12,212	8,748	24,610	40,348	28,356	146,000	8,683	-	154,683
Equipment rental	8,478	14,105	40,476	6,349	1,774	15,142	86,324	19,165	236	105,725
Professional fees	268,283	3,756,049	34,119	51,743	12,244,156	1,875,084	18,229,434	815,475	58,240	19,103,149
Recruitment and training	18,587	288,768	16,376	41,693	405,321	29,189	799,934	187,933	5,412	993,279
Interest expense (Note 7)	112,621	-	-	83	-	3,046	115,750	844	6,744	123,338
Sundry expenses	18,159	73,838	9,670	81,251	-	113,637	296,555	15,484	2,973	315,012
Total expenses before depreciation and amortization	4,611,656	138,492,477	13,308,414	3,400,571	39,038,316	43,950,615	242,802,049	8,032,513	485,805	251,320,367
Depreciation and amortization (Note 5)	19,834	57,364	178,932	6,007	670	92,023	354,830	123,786	-	478,616
Total expenses including ERISA Funding, excluding NPBC (A)	4,631,490	138,549,841	13,487,346	3,406,578	39,038,986	44,042,638	243,156,879	8,156,299	485,805	251,798,983
ERISA Funding Adjustment	(322,255)	(743,512)	(853,608)	(277,154)	(126,481)	(717,793)	(3,040,803)	(515,949)	(32,542)	(3,589,294)
TOTAL EXPENSES (B)	<u>\$ 4,309,235</u>	<u>\$ 137,806,329</u>	<u>\$ 12,633,738</u>	<u>\$ 3,129,424</u>	<u>\$ 38,912,505</u>	<u>\$ 43,324,845</u>	<u>\$ 240,116,076</u>	<u>\$ 7,640,350</u>	<u>\$ 453,263</u>	<u>\$ 248,209,689</u>

(A) Represents total expenses including \$3,589,294 cash payments in accordance with required ERISA funding standards and excluding \$1,062,627 in net periodic benefit cost.

(B) Represents total expenses after application of \$3,589,294 cash payments against pension liability 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, 2019

	Program Services						Management and General	Fundraising and Development	TOTAL 2019	
	Reproductive Health	HIV/STD	Nutrition	Child Health and Development	Emergency Preparedness	Other Miscellaneous Programs				Total Program Services
Salaries and wages	\$ 2,676,853	\$ 5,956,471	\$ 6,430,371	\$ 2,270,725	\$ 1,007,307	\$ 4,695,636	\$ 23,037,363	\$ 3,801,588	\$ 261,746	\$ 27,100,697
Payroll taxes and employee benefits										
excluding defined benefit plan (ERISA Funding) (Note 6)	723,196	1,607,018	1,734,213	612,427	271,676	1,266,386	6,214,916	1,076,125	70,594	7,361,635
Net periodic benefit cost (Note 6)	(122,490)	(272,187)	(293,730)	(103,729)	(46,015)	(214,493)	(1,052,644)	(224,433)	(11,957)	(1,289,034)
Defined benefit plan (ERISA Funding) (Note 6)	337,795	750,617	810,028	286,056	126,896	591,512	2,902,904	478,932	32,974	3,414,810
	<u>3,615,354</u>	<u>8,041,919</u>	<u>8,680,882</u>	<u>3,065,479</u>	<u>1,359,864</u>	<u>6,339,041</u>	<u>31,102,539</u>	<u>5,132,212</u>	<u>353,357</u>	<u>36,588,108</u>
Subcontractors:										
Title X	2,154,659	-	-	-	-	-	2,154,659	-	-	2,154,659
Ryan White	-	78,979,115	-	-	-	-	78,979,115	-	-	78,979,115
HIV Prevention	-	29,937,415	-	-	-	-	29,937,415	-	-	29,937,415
CTL Master Administrator	-	-	-	-	-	26,750,652	26,750,652	-	-	26,750,652
Emergency Preparedness	-	-	-	-	22,388,696	-	22,388,696	-	-	22,388,696
Various	332,758	17,631,359	1,014,623	-	-	1,951,079	20,929,819	-	-	20,929,819
Patient care	191,358	-	-	-	-	-	191,358	-	-	191,358
Purchased services	107,638	162,939	38,706	6,464	19,693	220,275	555,715	122,382	84	678,181
Occupancy (Note 9)	241,097	790,809	1,526,152	240,202	75,935	3,700,970	6,575,165	180,449	17,460	6,773,074
Supplies	232,179	1,496,448	211,954	57,203	1,050,966	140,596	3,189,346	92,040	4,105	3,285,491
Communications	78,769	91,592	162,508	53,850	37,708	188,263	612,690	33,960	1,265	647,915
Project Renovations/Non-Capital	-	-	-	-	-	-	-	-	-	-
Maintenance and repairs	92,853	232,104	253,853	17,632	724,392	99,879	1,420,713	526,404	3,445	1,950,562
Postage	2,250	1,711	10,578	2,929	-	12,734	30,202	9,606	1,112	40,920
Marketing and promotion	7,318	875,139	7,962	1,198	-	414,932	1,306,549	-	12,435	1,318,984
Printing	3,440	125,919	6,279	5,806	50,875	8,040	200,359	22,385	3,127	225,871
Insurance	54,210	22,393	34,576	4,782	1,015	14,677	131,653	92,013	-	223,666
Travel	73,079	78,146	26,724	52,535	7,036	77,338	314,858	16,361	1,098	332,317
Equipment rental	22,029	90,032	41,680	7,797	1,557	44,407	207,502	31,312	323	239,137
Professional fees	129,092	3,035,862	28,401	56,500	1,738,952	1,074,712	6,063,519	614,975	75,696	6,754,190
Recruitment and training	19,839	437,904	7,302	15,936	95,384	34,089	610,454	182,667	1,262	794,383
Interest expense (Note 7)	136,249	-	-	-	-	409	136,658	1,672	5,542	143,872
Sundry expenses	20,739	408,818	3,207	29,629	5,778	41,837	510,008	36,432	6,763	553,203
Total expenses before depreciation and amortization	7,514,910	142,439,624	12,055,387	3,617,942	27,557,851	41,113,930	234,299,644	7,094,870	487,074	241,881,588
Depreciation and amortization (Note 5)	13,706	38,702	180,706	7,756	-	69,961	310,831	118,471	-	429,302
Total expenses including ERISA Funding, excluding NPBC (A)	7,528,616	142,478,326	12,236,093	3,625,698	27,557,851	41,183,891	234,610,475	7,213,341	487,074	242,310,890
ERISA Funding Adjustment	(337,795)	(750,617)	(810,028)	(286,056)	(126,896)	(591,512)	(2,902,904)	(478,932)	(32,974)	(3,414,810)
TOTAL EXPENSES (B)	\$ 7,190,821	\$ 141,727,709	\$ 11,426,065	\$ 3,339,642	\$ 27,430,955	\$ 40,592,379	\$ 231,707,571	\$ 6,734,409	\$ 454,100	\$ 238,896,080

(A) Represents total expenses including \$3,414,810 cash payments in accordance with required ERISA funding standards and excluding \$1,289,034 in net periodic benefit cost.

(B) Represents total expenses after application of \$3,414,810 cash payments against pension liability 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, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,141,493)	\$ (3,582,555)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	478,616	429,302
Pension related changes other than net periodic pension cost	4,170,962	5,571,978
Decrease (increase) in assets:		
Grants receivable	(9,327,274)	(6,777,344)
Contributions receivable	9,519	(5,051)
Service reimbursements receivable	19,807	(17,748)
Supplies inventory	85,283	(71,015)
Advances to subcontractors	(2,363,660)	(627,646)
Deposits and other assets	(279,969)	126,634
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	5,899,130	(4,207,549)
Paycheck Protection Program refundable advance	2,466,805	-
Advances from government and other agencies	(774,340)	4,582,801
Pension liability	(1,985,828)	(2,601,651)
Net Cash Used in Operating Activities	(2,742,442)	(7,179,844)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,133,971)	(522,385)
Purchase of certificates of deposit	(5,614)	(7,991)
Net Cash Used in Investing Activities	(1,139,585)	(530,376)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,882,027)	(7,710,220)
Cash and Cash Equivalents - Beginning of Year	26,779,553	34,489,773
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 22,897,526	\$ 26,779,553
 Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 100,085	\$ 134,955

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 – NATURE OF ACTIVITIES

Incorporated in November 1957 in the State of New York, Public Health Solutions is the largest public health nonprofit serving New York City. For over 60 years, the organization has improved health outcomes and helped families thrive by providing services directly within communities that need them most and serving as a critical link in public-private partnerships with government agencies to support 223 community-based organizations across the city.

Public Health Solutions focuses on a wide range of crucial public health issues that overwhelmingly affect the health of low-income families in New York City, including food and nutrition, health insurance, maternal and child health, sexual and reproductive health, tobacco control, and HIV/AIDS.

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, Minority AIDS Initiative, CTL Master Administrator and One City Health programs totaled approximately \$14,497,000 and \$22,108,000 as of December 31, 2020 and 2019, 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.

Equipment, furniture and fixtures are 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.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

- *Without donor restrictions* - include resources not subject to donor-imposed restrictions.
- *With donor restrictions* - 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, donor restricted net assets are reclassified as net assets without donor restrictions and reported as net assets released from restrictions. In addition, net assets with donor restrictions represents those resources subject to donor-imposed stipulations that they be maintained intact in perpetuity by Public Health Solutions.

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 net assets without donor restrictions or net assets with donor restrictions depending on the existence of any donor restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

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

Contributions are accounted for under Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) ("ASU 2018-08").

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. Government grants and contracts are nonexchange transactions and accounted for under ASU 2018-08. Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Grants and contracts amounted to \$236,655,880 and \$232,051,816 for the years ended December 31, 2020 and 2019, respectively, and are included in the statements of activities.

As of December 31, 2020 and 2019, Public Health Solutions received conditional grants and contracts from government agencies in the aggregate amount of approximately \$1.3 billion and \$397.6 million, respectively. Such grants and contracts have not been recognized in the accompanying financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their agreements. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and Public Health Solutions may be required to return the funds already remitted.

PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The terms under which government grants are awarded for reimbursement of actual expenditures are 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.

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."

Service contract revenue and medical reimbursement revenue are recognized at the time the contractual service is delivered and are accounted for under FASB ASU 2014-09 Topic 606 "*Revenue from Contracts with Customers*."

Performance obligations are determined based on the nature of the services provided by Public Health Solutions in accordance with the contract. Revenue for performance obligations are satisfied at a point in time at which services are provided. Public Health Solutions believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Public Health Solutions measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

Because all of its performance obligations relate to contracts with a duration of less than one year, Public Health Solutions has elected to apply the optional exemption provided in FASB ASC Topic 606-10-50-1 4(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation.

Public Health Solutions determines the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction price is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency. Public Health Solutions has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and service lines. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Public Health Solutions reports program service fees at the estimated net realizable amounts due from third-party payors for services in the period in which they are rendered. Revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective governmental fiscal intermediaries. Provision for estimated amounts due to/from the payor agencies, if any, has been made in the financial statements. Differences between estimated rates and subsequently realized amounts are reflected in the statements of activities in the year revisions are calculated.

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.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *Functional Expense Allocation*

The costs of providing various programs and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail for the functional expenses with the result that certain natural costs are allocated among the programs and supporting services benefited. Accordingly, the statements of functional expenses report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: salaries, payroll taxes and fringe benefits which are allocated based on time and effort reporting; and depreciation and amortization which are direct charges based on specific identification of program assets. A combination of allocation bases are used for occupancy, supplies, communications, maintenance and repairs, postage, and equipment rental expenses. Where these costs are incurred for Public Health Solutions' 40 Worth Street location, they are allocated to the functional areas based on the number of workstations each area occupies. The remaining costs in this group are directly charged based on specific identification to program activities.

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 6.

O. *Donated Goods, Services and Facilities*

Public Health Solutions receives donated equipment, services, facilities and other items which supplement the efforts of Public Health Solutions' professional staff in providing services. Public Health Solutions records these contributions in the accompanying financial statements as support and expenses at the estimated value of the donated goods, services, facilities and other items.

P. *Recent Accounting Pronouncements Adopted*

In 2020, Public Health Solutions adopted the provisions of FASB ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, that require an employer to report the service cost component separate from the other components of net benefit cost. The service cost component is reported in the same line of the statement of activities as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are reported as non-operating activities. The effects of applying ASU 2017-07 resulted in a reclassification of the December 31, 2019 statement of functional expenses to conform to the new standard.

FASB ASU No. 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* – this ASU (for nonpublic plans) eliminated and modified certain disclosure requirements for fair value was part of its disclosure framework project. This standard was effective for annual periods beginning after December 15, 2019, and was adopted as of January 1, 2020, and did not have a material impact on Public Health Solutions' financial statements.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENDITURES

Financial assets available for general expenditures, without donor or other restrictions limiting their use within one year of the statements of financial position date are as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 22,897,526	\$ 26,779,553
Certificates of deposit	331,829	326,215
Grants receivable	34,376,743	25,049,469
Other receivables	<u>162,615</u>	<u>191,941</u>
Total financial assets	57,768,713	52,347,178
Less: net assets with donor restrictions	<u>(54,430)</u>	<u>(58,820)</u>
	<u>\$ 57,714,283</u>	<u>\$ 52,288,358</u>

The majority of Public Health Solutions' expenditures are incurred for New York City funded programs and federally funded programs (representing approximately 88% and 87% of all expenditures in 2020 and 2019, respectively). These expenditures present no liquidity risk for Public Health Solutions because New York City pre-funds expenditures made for its program purposes in advance, and because Public Health Solutions can draw down federally funded dollars as soon as expenditures are processed through accounts payable. In addition, foundations, which make up about 3% of Public Health Solutions' revenue, generally pay the full award amount at the time of award regardless of the period over which the expenditures will be made, again pre-funding expenditures for the obligations that arise from these activities.

Interim cash needs for non-City, federal, or foundation funded projects are managed via Public Health Solutions' vigilant receivables management, careful budgeting, and continuous cash management processes. In the event of any temporary, short-term deficiency, Public Health Solutions has access to a \$2.99 million and \$2.4 million internal cash reserve, certificates of deposit, and a revolving credit facility with Public Health Solutions' financial institution for the years ended December 31, 2020 and 2019, respectively.

In management's judgment, the pre-funding and advances along with its careful management of cash and other financing arrangements will enable Public Health Solutions to meet its working capital needs in 2020 and beyond.

NOTE 4 – 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. As of December 31, 2020 and 2019, Public Health Solutions' uninsured cash balances and certificates of deposit, in one bank, totaled approximately \$30.5 million and \$36.1 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 as of December 31, 2020 and 2019 as collectible.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 4,416,607	\$ 4,339,902	5 to 10 Years
Equipment, furniture and fixtures	2,919,961	2,008,468	5 Years
Construction in progress	<u>120,635</u>	<u>-</u>	
Total cost	7,457,203	6,348,370	
Less: Accumulated depreciation and amortization	<u>(5,100,532)</u>	<u>(4,647,054)</u>	
Net book value	<u>\$ 2,356,671</u>	<u>\$ 1,701,316</u>	

Depreciation and amortization expense amounted to \$478,616 and \$429,302 for the years ended December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, Public Health Solutions wrote-off fully depreciated property and equipment of \$25,138 and \$0, respectively. Construction in progress as of December 31, 2020 consists of renovations at 40 Worth Street with estimated remaining cost to complete of approximately \$100,000. The renovations were completed in August 2021.

NOTE 6 – 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>2020</u>	<u>2019</u>
Benefit obligation as of December 31	\$ (69,917,747)	\$ (64,638,590)
Fair value of Plan assets at December 31	<u>46,425,342</u>	<u>43,331,319</u>
Net unfunded status of the Plan at December 31	<u>\$ (23,492,405)</u>	<u>\$ (21,307,271)</u>
Net periodic benefit cost	<u>\$ 1,062,627</u>	<u>\$ 1,289,034</u>
Accumulated benefit obligation at December 31	<u>\$ (69,917,747)</u>	<u>\$ (64,638,590)</u>
Employer contributions	<u>\$ 3,048,455</u>	<u>\$ 3,891,585</u>
Benefits paid	<u>\$ 3,428,988</u>	<u>\$ 3,396,271</u>
	<u>2020</u>	<u>2019</u>
Accrued pension liability recognized in the statements of financial position	<u>\$ 23,492,405</u>	<u>\$ 21,307,271</u>
Net unrecognized actuarial loss included in net assets without donor restrictions	<u>\$ 44,840,872</u>	<u>\$ 40,669,910</u>

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 – PENSION PLANS (Continued)

The change in net unrecognized actuarial loss included the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
January 1, net unrecognized actuarial loss included in net assets without donor restrictions	\$ 40,669,910	\$ 35,097,932
Actual return on plan assets	(4,344,999)	(5,475,481)
Expected return on plan assets	2,212,378	2,177,197
Actuarial loss	6,952,430	9,219,364
Amortization of net loss	(1,519,290)	(1,232,896)
Plan expenses paid	<u>870,443</u>	<u>883,794</u>
December 31, net unrecognized actuarial loss included in net assets without donor restrictions	<u>\$ 44,840,872</u>	<u>\$ 40,669,910</u>

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the years ended December 31, were as follows:

	<u>2020</u>	<u>2019</u>
Net loss	\$ 5,690,252	\$ 6,804,874
Amortization of net loss	<u>(1,519,290)</u>	<u>(1,232,896)</u>
Total recognized in change in net assets without donor restrictions	<u>\$ 4,170,962</u>	<u>\$ 5,571,978</u>
Total recognized in net periodic pension cost and change in net assets without donor restrictions	<u>\$ 5,233,589</u>	<u>\$ 6,861,912</u>

The estimated net loss for the pension plan that will be amortized from the net asset without donor restrictions balance into net periodic benefit cost over the next fiscal year is \$1,729,223.

The net periodic benefit obligations and the components of the benefit cost for the years ended December 31, were as follows:

	<u>2020</u>	<u>2019</u>
Other components of cost:		
Interest cost	\$ 1,755,715	\$ 2,233,335
Expected return on plan assets	(2,212,378)	(2,177,197)
Amortization of net loss	<u>1,519,290</u>	<u>1,232,896</u>
Total other components	<u>1,062,627</u>	<u>1,289,034</u>
Net periodic benefits cost	<u>\$ 1,062,627</u>	<u>\$ 1,289,034</u>

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 – PENSION PLANS (Continued)

The following table provides weighted average assumptions and certain other information for the Plan as of and for the years ended December 31:

	2020	2019
The weighted average assumptions used to determine benefit obligations were as follows:		
Discount rate	2.44%*	3.19%*
The weighted average assumptions used to determine net periodic benefit costs were as follows:		
Discount rate	3.19%	4.22%
Expected long-term return on plan assets	7.50%	7.50%

* Single effective rate representing end of year benefit obligation determined by applying the individual spot rates from the bond yield curve to each future year's cash flows.

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, 2020 and in the aggregate for the five years thereafter are as follows:

2021	\$	4,299,890
2022		3,831,928
2023		3,766,663
2024		3,778,732
2025		3,752,703
2026-2030		18,093,475

Investment Policies and Strategies

Wilmington Trust 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, 2020 was as follows:

	Target	Range
Domestic Equity - Large Cap	13.50%	8.50 – 18.50%
Domestic Equity - Small Cap	12.50%	7.50 – 17.50%
International Equity - Developed	15.50%	10.50 – 20.50%
International Equity - Emerging Markets	8.50%	3.50 – 13.50%
Fixed Income	16.20%	12.20 – 21.20%
Real Estate	12.80%	7.80 – 17.80%
Real Assets	7.00%	4.00 – 24.00%
Private Market - Debt	5.00%	0.00 – 10.00%
Private Market - Equity	9.00%	4.00 – 14.00%

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 – PENSION PLANS (Continued)

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.

The Plan will invest in:

Six commingled funds, managed by Wilmington Trust Advisors:

- S&P 500 Index Fund
- Russell 2000 Index Fund
- Passive Bond Market Index Fund
- Daily MSCI EAFE Index Non-Lending Fund
- MSCI Emerging Markets Index Fund
- Real Asset Non-Lending Fund

Four funds, managed by Neuberger Berman:

- The Neuberger Berman High Income Bond R6 Fund (NRHIX)
- The Neuberger Berman Private Debt Fund
The Neuberger Berman Private Debt Fund III
- The Neuberger Berman Crossroads XXI Fund (Private Equity)

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

- UBS Trumbull Property Fund

A fund managed by Pomona Capital:

- Pomona Capital IX

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 ten 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.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 – PENSION PLANS (Continued)

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.

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 and emerging markets equity.

Fair Value Measurements of Plan Assets

The three levels of the fair value hierarchy under FASB ASC 820 are described 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 the 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.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 – PENSION PLANS (Continued)

The Plan's financial assets measured at fair value on a recurring basis as of December 31, 2020 were classified in the table below in one of the three categories as defined above:

	Level 2	Level 3	Total
Cash Equivalents and Receivables for Securities Sold	\$ 751,564	\$ -	\$ 751,564
Private Debt	-	960,553	960,553
Subtotal	\$ 751,564	\$ 960,553	1,712,117
Common/Collective Trusts – Net Asset Value (“NAV”) as a practical expedient:			
Domestic Equity – Large Cap			6,742,849
Domestic Equity – Small Cap			6,228,245
International Equity			7,673,175
Emerging Markets Equity			4,260,457
Total Common Collective Trusts			24,904,726
Registered Investment Company – NAV as a practical expedient:			
Domestic Fixed Income			8,075,896
Real Asset			3,369,055
Total Registered Inv. Company			11,444,951
Partnership/Joint Venture Interest – NAV as a practical expedient:			
Real Estate			3,911,735
Total Partnership/Joint Venture Interest			3,911,735
Private Equity			4,451,813
Total Plan Assets			\$46,425,342

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, 2020:

Level 3 Reconciliation

	Balance, January 1, 2020	Advisory, Management and Performance Fees	Investment Income	Realized and Unrealized Gains	Balance, December 31, 2020
Private Debt	\$1,125,563	\$ (323,088)	\$ 138,025	\$ 20,053	\$ 960,553

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 – PENSION PLANS (Continued)

The Plan's financial assets measured at fair value on a recurring basis as of December 31, 2019 were classified in the table below in one of the three categories as defined above:

	Level 2	Level 3	Total
Cash Equivalents and Receivables for Securities Sold	\$ 529,363	\$ -	\$ 529,363
Private Debt	-	1,125,563	1,125,563
Subtotal	\$ 529,363	\$ 1,125,563	1,654,926
Common/Collective Trusts – NAV as a practical expedient:			
Domestic Equity – Large Cap			5,032,114
Domestic Equity – Small Cap			4,656,474
International Equity			5,802,829
Emerging Markets Equity			3,141,395
Total Common Collective Trusts			18,632,812
Registered Investment Company – NAV as a practical expedient:			
Domestic Fixed Income			4,848,062
Real Asset			2,520,618
Multi-Asset Class Strategies			5,203,042
Fixed Income High Yield			1,211,813
Total Registered Inv. Company			13,783,535
Partnership/Joint Venture Interest – NAV as a practical expedient:			
Real Estate			4,496,237
Hedge Fund of Funds			1,540,086
Total Partnership/Joint Venture Interest			6,036,323
Private Equity			3,223,723
Total Plan Assets			\$ 43,331,319

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, 2019:

Level 3 Reconciliation

	Balance, January 1, 2019	Advisory, Management and Performance Fees	Investment Income	Realized and Unrealized Gains	Balance, December 31, 2019
Private Debt	\$ 601,451	\$ 372,624	\$ 111,799	\$ 39,689	\$ 1,125,563

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 – PENSION PLANS (Continued)

The following table sets forth additional disclosures of Public Health Solutions Pension Plan's investments whose fair value is measured using the NAVs per share practical expedient as of December 31, 2020:

<u>Investment Objective</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real Estate	\$ 3,911,735	\$ -	Quarterly	60 days
Private Equity	<u>4,451,813</u>	<u>2,830,615</u>	None	None
	<u>\$ 8,363,548</u>	<u>\$ 2,830,615</u>		

The following table sets forth additional disclosures of Public Health Solutions Pension Plan's investments whose fair value is measured using the NAVs per share practical expedient as of December 31, 2019:

<u>Investment Objective</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real Estate	\$ 4,496,237	\$ -	Quarterly	60 days
Hedge Fund of funds	1,540,086	-	Quarterly	60 days
Private Equity	<u>3,223,723</u>	<u>2,905,430</u>	None	None
	<u>\$ 9,260,046</u>	<u>\$ 3,905,430</u>		

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 as of December 31, 2020 and 2019.

Common/Collective Trusts:

The Plan's interests in the common/collective trusts are valued using the 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.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 – PENSION PLANS (Continued)

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. Some of the funds are valued using NAVs provided by the underlying investment managers as a practical expedient.

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 120 days' notice. There were no redemption restrictions as of December 31, 2020 and 2019.

Public Health Solutions plans to contribute approximately \$3,110,000 in cash or cash and credits to fund the Plan in 2021.

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.

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, 2020 and 2019, Public Health Solutions contributed \$1,034,455 and \$953,327, 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 \$47,164,630 and \$41,657,420, respectively, on December 31, 2020 and 2019, were administered by Vanguard Fiduciary Trust Company in 2020 and 2019.

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 \$14,245,756 and \$13,941,967, respectively, on December 31, 2020 and 2019, 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 which was administered by TIAA-CREF and Vanguard. The Plan is funded solely by employee contributions. There were no Plan assets as of December 31, 2020 and 2019. The Plan was terminated in July 2020.

During the years ended December 31, 2020 and 2019, Public Health Solutions contributed \$76,867 and \$72,999, respectively, into a multi-employer defined contribution pension plan for all union employees.

NOTE 7 – LINE OF CREDIT

At December 31, 2020 and 2019, Public Health Solutions had a five million dollar line of credit with a financial institution. The line of credit had outstanding balances of \$2,650,000 as of both December 31, 2020 and 2019. The line expires on December 10, 2021, and is collateralized by Public Health Solutions' receivables, and carries interest at one-quarter percent below the Prime Rate (amounting to an interest rate of 3.00% and 4.50% as of December 31, 2020 and 2019, respectively). Management expects to renew the line of credit upon expiration. Interest expense incurred for the line of credit amounted to \$110,085 and \$135,187 for the years ended December 31, 2020 and 2019, respectively. As of November 15, 2021, there was \$2,650,000 borrowed.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 and 2019 amounted to \$54,430 and \$58,820, 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, 2020 and 2019 were released by incurring expenses satisfying the program restrictions and the expiration of time restrictions specified by the donors.

NOTE 9 – LEASE COMMITMENTS

Public Health Solutions holds 16 operating lease commitments (one for administrative offices and 15 for project services) that have expiration dates through 2036. The following is a yearly schedule of future minimum rental commitments under these leases:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 4,343,555
2022	3,832,975
2023	3,887,981
2024	3,883,645
2025	3,944,748
Thereafter	<u>22,674,912</u>
Total	<u>\$ 42,567,816</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 \$6,722,000 and \$6,773,000 in the years ended December 31, 2020 and 2019, respectively.

NOTE 10 – PAYCHECK PROTECTION PROGRAM REFUNDABLE ADVANCE

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program ("PPP"). Participating in the PPP enables the business to obtain a loan from the Small Business Administration ("SBA") sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

Public Health Solutions applied for this loan through an SBA authorized lender and received \$5.5 million on May 5, 2020. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the twenty four week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the Public Health Solutions' employees. In accounting for the terms of the PPP loan, Public Health Solutions, guided by FASB Accounting Standards Codification ("ASC") 958-608, recorded the loan as a conditional contribution. For the year ended December 31, 2020, Public Health Solutions has incurred sufficient qualifying expenses and has met other conditions for forgiveness and accordingly recorded grant income amounting to \$3,033,195 which is included in foundations and private grants in the accompanying statements of activities. The remaining balance amounting to \$2,466,805 is reflected as a PPP refundable advance in the accompanying statements of financial position as of December 31, 2020. PPP loans exceeding \$2 million are subject to SBA audit and could result in disallowances. Management believes that such disallowances would be immaterial.

PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 11 – 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.
- B. In the normal course of its operations, Public Health Solutions is a defendant or co-defendant in various legal proceedings, including medical malpractice and employment claims. While the ultimate outcomes of such proceedings cannot be determined with certainty, management does not expect the resolution of the legal proceedings brought against it to have a material adverse effect on Public Health Solutions' financial position.
- 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, 2020 and 2019, 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 \$457,000 and \$492,000 as of December 31, 2020 and 2019, 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. In October 2017, Public Health Solutions was served with a Civil Investigative Demand by the U.S. Attorney's Office for the Southern District of New York and in December 2017, Public Health Solutions was served with an identical subpoena by the New York State Attorney General. The governments have not disclosed the exact nature of their investigation, but they are apparently focused on billing practices by Public Health Solutions' now discontinued Early Intervention Services Coordination Program. As of December 31, 2020, Public Health Solutions continues to cooperate with the governments' investigation. Public Health Solutions government funders have been advised of the investigation, as required. Legal counsel is unable to evaluate the likelihood of a favorable or unfavorable outcome or estimate the range of potential loss.
- E. Public Health Solutions believes it has no uncertain income tax positions as of December 31, 2020 and 2019 in accordance with FASB ASC Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- F. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. Public Health Solutions could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on Public Health Solutions' mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, Public Health Solutions cannot predict the extent to which their financial condition and results of operations will be affected.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 12 – 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 two local public health officials as ex-officio Directors; the Commissioner of the New York City Department of Health, and the President of the New York City Health & Hospitals Corporation. 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 amounts contracted with such agencies and organizations approximated \$149 million and \$207 million in the years ended December 31, 2020 and 2019, 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 13 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through November 15, 2021, 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, 2020**

<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>Amounts Provided to Subrecipients</u>
U.S. Department of Health and Human Services:				
Public Health Emergency Preparedness: Emergency Preparedness	93.069		\$ 16,542,362	\$ 15,386,243
Family Planning Services: Family Planning Services - Title X	93.217		1,209	-
National Bioterrorism Hospital Preparedness Program: Hospital Preparedness Program - HPP COVID-19 Hospital Preparedness Program-HPP	93.889		6,274,455 2,523,829 8,798,284	5,591,026 444,940 6,035,966
Pass-Through from New York City Department of Health & Mental Hygiene: CHORDS NIMH	93.242	10AE002501R2X00	41,265	37,740
Healthy Start Initiative: Healthy Start Initiative	93.926		1,115,942	274,531
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities: NYC DOHMH HPP Ebola Part A NYC DOHMH HPP Ebola Part B COVID-19 NYC DOHMH HPP Ebola Part B	93.817		1,264,691 409,449 145,864 1,820,004	1,029,983 409,449 35,055 1,474,487
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects: Innovations in Nutrition Programs and Services	93.048	90INNU008-01-00	218,965	28,936
Family Planning Service Delivery Improvement Research Grants: Clinical Pilot Study to Address Opportunities and Barriers for Linking Family	93.974	1FPRPA006066	614,761	59,505
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response COVID-19 NYCDOHMH Public Health Crisis Response	93.354		13,565,989	-
Pass-Through from New York City Department of Health and Mental Hygiene: HIV Emergency Relief Project Grants: Ryan White COVID-19 Ryan White HIV/AIDS Program Part A COVID-19 Response	93.914	10AE002501R2X00 10AE002501R2X00	82,598,045 533,643 83,131,688	74,792,571 40,429 74,833,000
HIV Prevention Activities - Health Department Based: HIV Prevention Program NYCDOHMH CBA for High Impact HIV Prevention Program Integration	93.940	10AE002501R2X00 10AE002501R2X00	8,445,896 167,811 8,613,707	5,407,842 - 5,407,842
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance HIV Prevention DOHMH	93.944	10AE002501R2X00	106,199	-
Preventive Health Services Sexually Transmitted Diseases Control Grants: STD Prevention	93.977	10AE002501R2X00	31,948	-
HIV Prevention Activities-Non-Governmental Organization Based: Capacity Building Assistance for Community Based Organizations	93.939	10AE002501R2X00	18,401	-
Acquired Immunodeficiency Syndrome (AIDS) Activity Strategic Partnerships and Planning to Support Ending the HIV Epidemic	93.118	10AE002501R2X00	207,426	-
Block Grants for Community Mental Health Services CTL Master Administrator	93.958	15AC024001R1X00	3,227,489	3,227,489
Ending the HIV Epidemic: A Plan for America — Ryan White HIV/AIDS Program Parts A and B DOHMH Admin - Ending the HIV Epidemic: A Plan for America - RW Part A & B	93.686	10AE002501R2Z01	221,654	-
Capacity Building Assistance (CBA) for Health Departments CBA Hiv Prev For Health Depts	93.834	10AE002501R2X00	101,983	-
Medicaid Cluster:				
Pass-Through from New York State Department of Health: Medical Assistance Program: IPA Navigator Program MICHC Consumer Assistance for Aged, Blind and Disabled Statewide Health Information Network for New York (SHIN-NY) Community Healthcare Worker Expansion	93.778	C028889 C028971 C029904 C034141 DOH01-C34825GG-3450000	387,152 126,648 1,434,833 1,941,043 158,302 4,047,978	- - 427,204 - - 427,204
Children's Health Insurance Program: IPA Navigator Program	93.767	C028889	47,749	-

**PUBLIC HEALTH SOLUTIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

<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>Amounts Provided to Subrecipients</u>
Maternal, Infant, and Early Childhood Home Visiting Grant Program: NFP - State	93.870	DOH01-C33786GG-3450000	<u>473,377</u>	-
Pass-Through from NYS Office of Children and Family Services: Maternal and Child Health Services Block Grant to the States: MIC-Women's Health Service MCH	93.994	C027053	<u>68,497</u>	-
Pass-Through from NYS Office of Children and Family Services Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program: Healthy Families Corona	93.505	C028080, C028304	<u>377,643</u>	-
Pass-Through from New York City Department of Health & Mental Hygiene: Special Projects of National Significance: Project Succeed	93.928	10AE002501R2X00	<u>28,656</u>	-
Pass-Through from Health Research Inc.: Pregnancy Assistance Fund Program: Building Supportive Communities for Young Families in New York City-Pathways to Success	93.500	5699-01/6SP1AH000	<u>119,569</u>	-
Pass-Through from The General Hospital Corporation Prevention of Disease, Disability, and Death by Infectious Diseases Global Travepinet	93.084	229507	<u>29,742</u>	-
Pass-Through from National Association of County and City Health Officials-NACCHO Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises Public Health Crisis - Opioid Overdose	93.391	2019-020702	<u>627,202</u>	-
Total Funded by U.S. Department of Health and Human Services:			<u>144,199,689</u>	<u>107,192,943</u>
U.S. Department of Agriculture:				
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	DOH01-C-30399GG-3450000 DOH01-C-30399GG-3450000 DOH01-C-30939GG-3450000	8,825,074 26,436,049 <u>2,289,356</u>	- - -
			37,550,479	-
SNAP Cluster: Pass-Through from NYS Office of Temporary and Disability Assistance: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program: T- SNAP	10.561	TDA01-C00225GG-34	<u>298,513</u>	-
Pass-Through from Johns Hopkins University: Participant Research Innovation Laboratory for Enhancing WIC Services: Enhancing WIC Services: Utilizing Innovation Technology to Maximize Participation and Retention	10.540	2004393419	<u>60,873</u>	-
Total Funded by U.S. Department of Agriculture			<u>37,909,865</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>90,398</u>	-
Total Funded by U.S. Department of Labor			<u>90,398</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	10AE002501R2X00	<u>2,020,951</u>	<u>1,409,831</u>
Total Funded by U.S. Department of Housing and Urban Development			<u>2,020,951</u>	<u>1,409,831</u>
Amounts Provided to Subrecipients				<u>\$ 108,602,774</u>
Total Expenditures of Federal Awards			<u>\$ 184,220,903</u>	

**PUBLIC HEALTH SOLUTIONS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Public Health Solutions (the "Organization") for the year ended December 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, (*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*) (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

The Schedule includes Women, Infants and Children ("WIC") Supplemental Food Program non-cash vouchers redeemed totaling \$26,436,049, 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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting except for amounts passed through to subrecipients, which are reported on a cash basis. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 3 – INDIRECT COST RATES

The Organization has a federal approved indirect cost rate and therefore cannot use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

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 statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2021.

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.

Markus Paneth LLP

New York, NY
November 15, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 *U.S. Office of Management and Budget 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, 2020. 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.

Auditors' 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 ("GAS"), and 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* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 its major federal programs for the year ended December 31, 2020.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



New York, NY
December 21, 2021

**PUBLIC HEALTH SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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 program:		
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 program:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	<u> </u> Yes	<u> X </u> No

Identification of major programs:

- CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
- CFDA 93.958 – Block Grants for Community Mental Health Services
- CFDA 93.354 – Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response
- CFDA 93.778 – Medical Assistance Program

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

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 YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Prior Year Findings:

There were no findings in the prior year audit.