



Financial Statements
(Together with Independent Auditors' Report)

For The Years Ended December 31, 2017 and 2016
and
Single Audit Reports and Schedule Required by Office of
Management and Budget Uniform Guidance

For The Year Ended December 31, 2017

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

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

**AND
SINGLE AUDIT REPORTS AND SCHEDULE REQUIRED BY OFFICE OF
MANAGEMENT AND BUDGET UNIFORM GUIDANCE**

FOR THE YEAR ENDED DECEMBER 31, 2017

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.....	8-23
Single Audit:	
Schedule of Expenditures of Federal Awards	24-26
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, 2017 and 2016, 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, 2017 and 2016, 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, 2017, (shown on pages 24-26) 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 June 28, 2018 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.



New York, NY

June 28, 2018, except for the Schedule of Expenditures of Federal Awards as to which the date is September 26, 2018.

**PUBLIC HEALTH SOLUTIONS
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 2B and 3)	\$ 32,073,791	\$ 16,951,826
Certificates of deposit (Notes 2C and 3)	377,232	374,273
Grants receivable (Notes 2D and 3):		
Federal	8,046,241	8,463,997
New York State/New York City	11,230,029	32,374,220
Private	2,269,009	791,384
Contributions receivable (Note 2J)	281,556	14,060
Service reimbursements receivable (Notes 2K and 3)	173,468	850,333
Supplies inventory (Note 2E)	124,340	150,497
Advances to subcontractors (Note 2G)	1,824,983	261,451
Deposits and other assets	<u>245,389</u>	<u>343,397</u>
Total current assets	<u>56,646,038</u>	<u>60,575,438</u>
Non-current assets:		
Property and equipment, net of accumulated depreciation and amortization (Notes 2F and 4)	1,580,476	1,701,133
Deposits and other assets	<u>466,200</u>	<u>363,594</u>
Total non-current assets	<u>2,046,676</u>	<u>2,064,727</u>
TOTAL ASSETS	<u>\$ 58,692,714</u>	<u>\$ 62,640,165</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (Note 9C)	\$ 50,513,912	\$ 55,871,553
Borrowings under line of credit (Note 6)	2,650,000	1,650,000
Advances from government and other agencies (Note 2H)	<u>6,895,936</u>	<u>5,719,797</u>
Total current liabilities	<u>60,059,848</u>	<u>63,241,350</u>
Non-current liabilities:		
Pension liability (Note 5)	<u>23,541,286</u>	<u>23,683,076</u>
Total non-current liabilities	<u>23,541,286</u>	<u>23,683,076</u>
TOTAL LIABILITIES	<u>83,601,134</u>	<u>86,924,426</u>
COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)		
NET ASSETS (DEFICIT) (Note 2I)		
Unrestricted:		
Undesignated	13,696,597	12,383,053
Net unrecognized actuarial loss on pension plan (Note 5)	<u>(38,697,228)</u>	<u>(37,075,944)</u>
Total unrestricted	(25,000,631)	(24,692,891)
Temporarily restricted (Note 7)	92,211	91,847
Permanently restricted (Note 7)	<u>-</u>	<u>316,783</u>
TOTAL NET ASSETS (DEFICIT)	<u>(24,908,420)</u>	<u>(24,284,261)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 58,692,714</u>	<u>\$ 62,640,165</u>

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

**PUBLIC HEALTH SOLUTIONS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
REVENUES AND SUPPORT:								
Government grants, service contracts and medical reimbursements (Note 2K):								
New York State	\$ 19,754,407	\$ -	\$ -	\$ 19,754,407	\$ 18,590,280	\$ -	\$ -	\$ 18,590,280
New York City	188,218,209	-	-	188,218,209	163,242,609	-	-	163,242,609
Federal	39,424,316	-	-	39,424,316	42,063,596	-	-	42,063,596
Medicaid and other third party	2,902,687	-	-	2,902,687	6,665,428	-	-	6,665,428
Interest income	14,650	-	-	14,650	14,229	1,855	-	16,084
Other income	456,411	-	-	456,411	1,228,516	-	-	1,228,516
Nongovernment grants and contributions (Note 2J):								
Foundations and private grants	18,500,920	-	-	18,500,920	8,276,185	-	-	8,276,185
Contributions	1,127,827	32,000	-	1,159,827	603,658	-	52,180	655,838
Net assets released from restrictions (Note 7)	348,419	(31,636)	(316,783)	-	303,054	(303,054)	-	-
TOTAL REVENUE AND SUPPORT	270,747,846	364	(316,783)	270,431,427	240,987,555	(301,199)	52,180	240,738,536
EXPENSES (Note 2M):								
Program services:								
Reproductive health	8,364,286	-	-	8,364,286	7,440,190	-	-	7,440,190
HIV/STD	141,400,527	-	-	141,400,527	140,012,229	-	-	140,012,229
Nutrition	10,501,995	-	-	10,501,995	9,276,325	-	-	9,276,325
Child health and development	5,872,093	-	-	5,872,093	7,832,582	-	-	7,832,582
Emergency preparedness	30,700,231	-	-	30,700,231	31,682,788	-	-	31,682,788
Training and technical assistance	-	-	-	-	544,740	-	-	544,740
Other miscellaneous programs	65,149,017	-	-	65,149,017	35,722,635	-	-	35,722,635
Total program services	261,988,149	-	-	261,988,149	232,511,489	-	-	232,511,489
Management and general	7,170,863	-	-	7,170,863	7,084,042	-	-	7,084,042
Fundraising and development	275,290	-	-	275,290	377,383	-	-	377,383
TOTAL EXPENSES	269,434,302	-	-	269,434,302	239,972,914	-	-	239,972,914
CHANGE IN NET ASSETS BEFORE PENSION LIABILITY ADJUSTMENT								
	1,313,544	364	(316,783)	997,125	1,014,641	(301,199)	52,180	765,622
Pension liability adjustment (Note 5)	(1,621,284)	-	-	(1,621,284)	(2,273,715)	-	-	(2,273,715)
CHANGE IN NET ASSETS	(307,740)	364	(316,783)	(624,159)	(1,259,074)	(301,199)	52,180	(1,508,093)
Net assets - beginning of year	(24,692,891)	91,847	316,783	(24,284,261)	(23,433,817)	393,046	264,603	(22,776,168)
NET ASSETS - END OF YEAR	\$ (25,000,631)	\$ 92,211	\$ -	\$ (24,908,420)	\$ (24,692,891)	\$ 91,847	\$ 316,783	\$ (24,284,261)

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

PUBLIC HEALTH SOLUTIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services						Total Program Services	Management and General	Fundraising and Development	TOTAL 2017
	Reproductive Health	HIV/STD	Nutrition	Child Health and Development	Emergency Preparedness	Other Miscellaneous Programs				
Salaries and wages	\$ 2,830,208	\$ 5,317,911	\$ 6,187,800	\$ 3,859,116	\$ 1,091,198	\$ 4,320,151	\$ 23,606,384	\$ 4,335,854	\$ 171,707	\$ 28,113,945
Payroll taxes and employee benefits excluding defined benefit plan (ERISA Funding) (Note 5)	726,485	1,355,920	1,562,000	983,246	278,190	1,098,742	6,004,583	1,109,164	43,780	7,157,527
Net periodic benefit cost (Note 5)	(34,600)	(64,578)	(74,393)	(46,829)	(13,249)	(52,330)	(285,979)	(52,826)	(2,086)	(340,891)
Defined benefit plan (ERISA Funding) (Note 5)	191,404	357,238	411,533	259,051	73,293	289,481	1,582,000	292,226	11,534	1,885,760
	<u>3,713,497</u>	<u>6,966,491</u>	<u>8,086,940</u>	<u>5,054,584</u>	<u>1,429,432</u>	<u>5,656,044</u>	<u>30,906,988</u>	<u>5,684,418</u>	<u>224,935</u>	<u>36,816,341</u>
Subcontractors:										
Title X	2,773,075	-	-	-	-	-	2,773,075	-	-	2,773,075
Ryan White	-	83,984,768	-	-	-	-	83,984,768	-	-	83,984,768
HIV Prevention	-	43,195,004	-	-	-	-	43,195,004	-	-	43,195,004
CTL Master Administrator	-	-	-	-	-	39,340,970	39,340,970	-	-	39,340,970
Emergency Preparedness	-	-	-	-	21,932,289	-	21,932,289	-	-	21,932,289
Various	565,609	1,628,583	266,333	-	-	14,413,828	16,874,353	-	-	16,874,353
Patient care	186,561	-	-	-	-	-	186,561	-	-	186,561
Purchased services	58,346	260,809	171,469	49,445	101,618	242,539	884,226	23,805	30	908,061
Occupancy (Note 8)	229,997	614,313	1,183,621	472,594	85,087	3,367,169	5,952,781	123,801	12,897	6,089,479
Supplies	284,632	437,047	350,084	74,286	2,074,811	267,174	3,488,034	87,186	564	3,575,784
Communications	75,067	39,875	133,769	124,662	97,090	148,695	619,158	47,000	724	666,882
Project Renovations/Non-Capital Maintenance and repairs	84,260	169,301	196,011	35,186	686,028	77,286	1,248,072	109,135	2,093	1,359,300
Postage	2,481	1,291	59,117	7,959	64,011	4,146	139,005	11,941	4,082	155,028
Marketing and promotion	21,407	793,105	135,341	22,776	1,024,649	661,266	2,658,544	-	5,500	2,664,044
Printing	3,870	307,146	27,157	12,684	140,524	156,887	648,268	3,763	10,321	662,352
Insurance	109,117	29,644	28,662	2,692	912	11,604	182,631	91,700	-	274,331
Travel	109,695	134,826	37,545	35,694	19,988	76,326	414,074	15,721	203	429,998
Equipment rental	25,042	61,648	37,441	39,018	1,880	62,005	227,034	48,870	306	276,210
Professional fees	152,529	2,622,927	23,830	19,055	2,987,706	826,265	6,632,312	639,062	13,697	7,285,071
Recruitment and training	29,906	317,903	4,215	29,242	84,818	(90,325)	375,759	105,694	3,342	484,795
Interest expense	81,427	-	-	9,557	-	(9,501)	81,483	865	1,200	83,548
Sundry expenses	10,501	103,333	1,771	19,239	29,432	106,124	270,400	29,696	4,844	304,940
Total expenses before depreciation and amortization	8,517,019	141,668,014	10,746,681	6,008,673	30,760,275	65,318,502	263,019,164	7,022,657	284,738	270,326,559
Depreciation and amortization	4,071	25,173	92,454	75,642	-	67,666	265,006	387,806	-	652,612
Total expenses including ERISA Funding, excluding NPBC (A)	8,521,090	141,693,187	10,839,135	6,084,315	30,760,275	65,386,168	263,284,170	7,410,263	284,738	270,979,171
Net periodic benefit cost (Note 5)	34,600	64,578	74,393	46,829	13,249	52,330	285,979	52,826	2,086	340,891
ERISA Funding Adjustment	(191,404)	(357,238)	(411,533)	(259,051)	(73,293)	(289,481)	(1,582,000)	(292,226)	(11,534)	(1,885,760)
TOTAL EXPENSES (B)	<u>\$ 8,364,286</u>	<u>\$ 141,400,527</u>	<u>\$ 10,501,995</u>	<u>\$ 5,872,093</u>	<u>\$ 30,700,231</u>	<u>\$ 65,149,017</u>	<u>\$ 261,988,149</u>	<u>\$ 7,170,863</u>	<u>\$ 275,290</u>	<u>\$ 269,434,302</u>

(A) Represents total expenses including \$1,885,760 cash payments in accordance with required ERISA funding standards and excluding \$340,891 in net periodic benefit cost.

(B) Represents total expenses after application of \$1,885,760 cash payments against pension liability and including \$340,891 in net period benefit cost in accordance with accounting principles generally accepted in the United States of America.

PUBLIC HEALTH SOLUTIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services							Total Program Services	Management and General	Fundraising and Development	TOTAL 2016
	Reproductive Health	HIV/STD	Nutrition	Child Health and Development	Emergency Preparedness	Training and Technical Assistance	Other Miscellaneous Programs				
Salaries and wages	\$ 2,880,184	\$ 4,904,526	\$ 5,939,693	\$ 5,236,823	\$ 1,293,627	\$ 47,995	\$ 5,483,166	\$ 25,786,014	\$ 4,543,360	\$ 129,687	\$ 30,459,061
Payroll taxes and employee benefits excluding defined benefit plan (ERISA Funding) (Note 5)	691,486	1,175,748	1,423,903	1,255,424	310,104	44,927	1,313,652	6,215,244	1,089,985	31,090	7,336,319
Net periodic benefit cost (Note 5)	(22,084)	(37,550)	(45,476)	(40,095)	(9,904)	(1,435)	(41,955)	(198,499)	(34,811)	(993)	(234,303)
Defined benefit plan (ERISA Funding) (Note 5)	155,559	264,500	320,326	282,424	69,762	10,107	295,523	1,398,201	245,206	6,994	1,650,401
	<u>3,705,145</u>	<u>6,307,224</u>	<u>7,638,446</u>	<u>6,734,576</u>	<u>1,663,589</u>	<u>101,594</u>	<u>7,050,386</u>	<u>33,200,960</u>	<u>5,843,740</u>	<u>166,778</u>	<u>39,211,478</u>
Subcontractors:											
Title X	2,170,307	-	-	-	-	-	-	2,170,307	-	-	2,170,307
Ryan White	-	88,840,387	-	-	-	-	-	88,840,387	-	-	88,840,387
HIV Prevention	-	33,223,479	-	-	-	-	-	33,223,479	-	-	33,223,479
CTL Master Administrator	-	-	-	-	-	-	17,255,772	17,255,772	-	-	17,255,772
Emergency Preparedness	-	-	-	-	23,927,156	-	-	23,927,156	-	-	23,927,156
Various	509,358	2,131,180	5,000	-	-	161,214	4,876,457	7,683,209	-	-	7,683,209
Patient care	199,736	-	-	-	-	-	-	199,736	-	-	199,736
Purchased services	78,668	191,274	65,993	76,385	91,711	233,455	191,467	928,953	67,287	36	996,276
Occupancy (Note 8)	202,169	560,536	1,017,793	685,396	74,200	-	3,035,700	5,575,794	288,363	14,747	5,878,904
Supplies	138,658	2,440,916	210,984	67,399	1,553,300	7,823	684,448	5,103,528	139,855	1,024	5,244,407
Communications	71,533	38,236	107,892	144,790	123,008	-	102,033	587,492	80,912	466	668,870
Maintenance and repairs	118,678	376,514	167,436	49,473	709,507	-	125,670	1,547,278	54,615	1,578	1,603,471
Postage	2,581	10,804	49,183	18,207	6,813	264	6,614	94,466	15,963	3,943	114,372
Marketing and promotion	12,209	1,662,945	5,562	32,982	194,572	-	453,068	2,361,338	-	-	2,361,338
Printing	5,180	564,441	98,200	11,258	42,456	24,157	135,933	881,625	6,118	18,053	905,796
Insurance	122,093	30,257	21,513	9,559	851	569	13,401	198,243	75,417	-	273,660
Travel	63,242	127,553	41,988	42,824	11,877	13,061	101,444	401,989	17,919	142	420,050
Equipment rental	23,749	115,958	33,485	64,321	2,059	-	67,129	306,701	26,467	456	333,624
Professional fees	36,426	2,803,863	22,805	14,186	3,202,206	(10,145)	1,601,414	7,670,755	556,707	167,952	8,395,414
Recruitment and training	10,924	551,460	8,666	24,579	101,088	20,751	185,739	903,207	56,844	1,081	961,132
Interest expense	94,659	-	-	16,128	-	-	-	110,787	860	2,627	114,274
Sundry expenses	4,279	236,979	1,366	8,191	38,253	669	89,528	379,265	37,911	4,501	421,677
Total expenses before depreciation and amortization	<u>7,569,594</u>	<u>140,214,006</u>	<u>9,496,312</u>	<u>8,000,254</u>	<u>31,742,646</u>	<u>553,412</u>	<u>35,976,203</u>	<u>233,552,427</u>	<u>7,268,978</u>	<u>383,384</u>	<u>241,204,789</u>
Depreciation and amortization	<u>4,071</u>	<u>25,173</u>	<u>54,863</u>	<u>74,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,764</u>	<u>25,459</u>	<u>-</u>	<u>184,223</u>
Total expenses including ERISA Funding, excluding NPBC (A)	<u>7,573,665</u>	<u>140,239,179</u>	<u>9,551,175</u>	<u>8,074,911</u>	<u>31,742,646</u>	<u>553,412</u>	<u>35,976,203</u>	<u>233,711,191</u>	<u>7,294,437</u>	<u>383,384</u>	<u>241,389,012</u>
Net periodic benefit cost (Note 5)	22,084	37,550	45,476	40,095	9,904	1,435	41,955	198,499	34,811	993	234,303
ERISA Funding Adjustment	(155,559)	(264,500)	(320,326)	(282,424)	(69,762)	(10,107)	(295,523)	(1,398,201)	(245,206)	(6,994)	(1,650,401)
TOTAL EXPENSES (B)	<u>\$ 7,440,190</u>	<u>\$ 140,012,229</u>	<u>\$ 9,276,325</u>	<u>\$ 7,832,582</u>	<u>\$ 31,682,788</u>	<u>\$ 544,740</u>	<u>\$ 35,722,635</u>	<u>\$ 232,511,489</u>	<u>\$ 7,084,042</u>	<u>\$ 377,383</u>	<u>\$ 239,972,914</u>

(A) Represents total expenses including \$1,650,401 cash payments in accordance with required ERISA funding standards and excluding \$234,303 in net periodic benefit cost.

(B) Represents total expenses after application of \$1,650,401 cash payments against pension liability and including \$234,303 in net period benefit cost in accordance with accounting principles generally accepted in the United States of America.

**PUBLIC HEALTH SOLUTIONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (624,159)	\$ (1,508,093)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	652,612	184,223
Pension related changes other than net periodic pension cost	1,621,284	2,273,715
Decrease (increase) in assets:		
Grants receivable	20,084,322	(22,968,288)
Contributions receivable	(267,496)	48,390
Service reimbursements receivable	676,865	199,254
Supplies inventory	26,157	(59,564)
Advances to subcontractors	(1,563,532)	717,570
Deposits and other assets	(4,598)	3,359
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(5,357,641)	23,008,105
Advances from government and other agencies	1,176,139	(5,675,506)
Pension liability	(1,763,074)	(1,387,081)
	14,656,879	(5,163,916)
Net Cash Provided by (Used in) Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(531,955)	(996,698)
Proceeds from redemption of certificates of deposit	374,273	371,737
Purchase of certificates of deposit	(377,232)	(374,273)
	(534,914)	(999,234)
Net Cash Used in Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	1,000,000	-
Repayment of borrowings on line of credit	-	(1,750,000)
	1,000,000	(1,750,000)
Net Cash Provided by (Used in) Financing Activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,121,965	(7,913,150)
Cash and Cash Equivalents - Beginning of Year	16,951,826	24,864,976
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 32,073,791	\$ 16,951,826
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 76,919	\$ 94,209

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 – NATURE OF ACTIVITIES

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Presentation*

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

B. *Cash Equivalents*

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

Under provisions stipulated by certain of Public Health Solutions' funding agencies, cash advances for program services are required to be held in separate accounts. Cash maintained in these segregated accounts for the Ryan White, HIV Prevention, Minority AIDS Initiative, CTL Master Administrator and One City Health programs totaled approximately \$28,444,000 and \$13,959,000 at December 31, 2017 and 2016, respectively.

C. *Certificates of Deposit*

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

D. *Grants Receivable*

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

E. *Supplies Inventory*

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

F. *Property and Equipment*

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

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. *Advances to Subcontractors*

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

H. *Advances from Government Agencies*

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

I. *Net Assets (Net Deficit)*

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

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

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

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

J. *Contributions*

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

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

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

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

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

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

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

L. *Use of Estimates*

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

M. *Functional Expense Allocation*

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

N. *Fair Value Measurements*

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

O. *Accounting Standard Update*

Effective for the year ended December 31, 2017, Public Health Solution adopted the guidance issued by the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-07 *Disclosure for Investments in Certain Entities that Calculate Net Asset Value*.

Under ASU 2015-07, investments in entities for which fair value is calculated using net asset value ("NAV") as a practical expedient are no longer required to be categorized within the fair value hierarchy. Public Health Solutions has reflected the effects of this amendment as of December 31, 2017 and 2016.

P. *Reclassification*

Certain line items in the December 31, 2016 financial statements have been reclassified to conform to the December 31, 2017 presentation.

NOTE 3 – CONCENTRATION OF CREDIT RISK

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

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 – CONCENTRATION OF CREDIT RISK (Continued)

At times during the year, Public Health Solutions' cash balances and certificates of deposit may exceed the limits of Federal Deposit Insurance Corporation (“FDIC”) insurance coverage. At December 31, 2017 and 2016, Public Health Solutions' uninsured cash balances and certificates of deposit totaled approximately \$35.4 million and \$20.7 million, respectively. Management does not anticipate nonperformance by the financial institution and believes that the credit risk related to these accounts is negligible.

Grants and service reimbursement receivables' credit risk is limited due to the nature of the grants and the services. Public Health Solutions regularly monitors its grant and service reimbursement receivables by investigating delayed payments and differences when payments received do not conform to the amount billed. Public Health Solutions considered all grant and service reimbursements receivables at December 31, 2017 and 2016 as collectible.

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 4,054,504	\$ 4,993,754	5 to 10 Years
Equipment, furniture and fixtures	<u>1,411,607</u>	<u>1,365,140</u>	5 Years
Total cost	5,466,111	6,358,894	
Less: Accumulated depreciation and amortization	<u>(3,885,635)</u>	<u>(4,657,761)</u>	
Net book value	<u>\$ 1,580,476</u>	<u>\$ 1,701,133</u>	

Depreciation expenses amounted to \$652,612 and \$184,223 for the years ended December 31, 2017 and 2016, respectively. During the years ended December 31, 2017 and 2016, Public Health Solutions wrote-off fully depreciated property and equipment of \$1,424,738 and \$219,772, respectively.

NOTE 5 – PENSION PLANS

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

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

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

	<u>2017</u>	<u>2016</u>
Benefit obligation at December 31	\$ (64,934,585)	\$ (61,685,606)
Fair value of Plan assets at December 31	<u>41,393,299</u>	<u>38,002,530</u>
Net unfunded status of the Plan at December 31	<u>\$ (23,541,286)</u>	<u>\$ (23,683,076)</u>
Net periodic benefit cost	<u>\$ 340,891</u>	<u>\$ 234,303</u>
Accumulated benefit obligation at December 31	<u>\$ (64,934,585)</u>	<u>\$ (61,685,606)</u>
Employer contributions	<u>\$ 2,103,965</u>	<u>\$ 1,621,384</u>
Benefits paid	<u>\$ 3,466,598</u>	<u>\$ 3,264,513</u>

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 – PENSION PLANS (Continued)

	<u>2017</u>	<u>2016</u>
Accrued pension liability recognized in the statement of financial position	\$ <u>23,541,286</u>	\$ <u>23,683,076</u>
Net unrecognized actuarial loss included in unrestricted net assets	\$ <u>38,697,228</u>	\$ <u>37,075,944</u>

The change in net unrecognized actuarial loss during 2017 and 2016 included the following:

	<u>2017</u>	<u>2016</u>
January 1, net unrecognized actuarial loss included in unrestricted net assets	\$ 37,075,944	\$ 34,802,229
Actual return on plan assets	(5,504,839)	(3,216,993)
Expected return on plan assets	2,877,496	2,842,617
Actuarial loss	4,659,530	2,905,632
Amortization of net loss	(1,162,340)	(1,028,041)
Plan expenses paid	<u>751,437</u>	<u>770,500</u>
December 31, net unrecognized actuarial loss included in unrestricted net assets	\$ <u>38,697,228</u>	\$ <u>37,075,944</u>

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

	<u>2017</u>	<u>2016</u>
Net loss	\$ 2,783,624	\$ 3,301,756
Amortization of net loss	<u>(1,162,340)</u>	<u>(1,028,041)</u>
Total recognized in change in unrestricted net assets	\$ <u>1,621,284</u>	\$ <u>2,273,715</u>
Total recognized in net periodic pension cost and change in unrestricted net assets	\$ <u>1,962,175</u>	\$ <u>2,508,018</u>

The estimated net loss for the pension plan that will be amortized from the unrestricted net asset balance into net periodic benefit cost over the next fiscal year is \$1,251,127.

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

	<u>2017</u>	<u>2016</u>
The weighted average assumptions used to determine benefit obligations were as follows:		
Discount rate	3.61%*	4.11%*
The weighted average assumptions used to determine net periodic benefit costs were as follows:		
Discount rate	4.11%	4.37%
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.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 – PENSION PLANS (Continued)

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

Estimated future benefit payments based on expected future service for each of the five years subsequent to December 31, 2017 and in the aggregate for the five years thereafter are as follows:

2018	\$	3,736,515
2019		3,770,366
2020		3,767,380
2021		3,733,699
2022		3,730,416
2023-2027		18,264,694

Investment Policies and Strategies

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

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

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

The adopted asset allocation policy as of December 31, 2017 was as follows:

	<u>Target</u>	<u>Range</u>
Domestic Equity - Large Cap	14.50%	9.50 – 19.50%
Domestic Equity - Small Cap	13.50%	8.50 – 18.50%
International Equity - Developed	15.00%	10.00 – 20.00%
International Equity - Emerging Markets	7.75%	2.75 – 12.75%
Fixed Income - Core	15.00%	10.00 – 20.00%
Fixed Income - High Yield	4.75%	0.00 – 9.75%
Real Estate	9.50%	4.50 – 14.50%
Hedge Fund of Funds	5.00%	0.00 – 10.00%
Real Assets	5.00%	0.00 – 10.00%
Private Market - Debt	5.00%	0.00 – 10.00%
Private Market - Equity	5.00%	0.00 – 10.00%

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

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

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 – PENSION PLANS (Continued)

The Plan will invest in:

Six commingled funds, managed by State Street Global Advisors:

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

Three funds, managed by Neuberger Berman:

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

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

- UBS Trumbull Property Fund

An open-ended hedge fund of funds, managed by Aetos Capital:

- Capital Growth Portfolio

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

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

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

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

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

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

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 – PENSION PLANS (Continued)

Significant Concentrations of Risk

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

Fair Value Measurements of Plan Assets

The Plan values its assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels as follows:

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

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

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

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

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 – PENSION PLANS (Continued)

The Plan's financial assets measured at fair value on a recurring basis as of December 31, 2017 were classified in the table below in one of the three categories as defined above:

	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash Equivalents and Receivables for Securities Sold	<u>340,677</u>	-	<u>340,677</u>
Private Debt	-	<u>998,620</u>	<u>998,620</u>
Subtotal	<u>\$ 340,677</u>	<u>\$ 998,620</u>	<u>\$ 1,339,297</u>
Common/Collective Trusts reported at NAV:			
Domestic Equity – Large Cap			6,108,555
Domestic Equity – Small Cap			5,715,276
International Equity			6,415,033
Emerging Markets Equity			<u>3,344,730</u>
Total Common Collective Trusts			<u>21,583,594</u>
Registered Investment Company reported at NAV:			
Domestic Fixed Income			6,396,099
Real Asset			2,133,593
Fixed Income High Yield			<u>2,015,112</u>
Total Registered Inv. Company			<u>10,544,804</u>
Partnership/Joint Venture Interest reported at NAV:			
Real Estate			<u>4,670,260</u>
Hedge Fund of Funds			<u>2,057,157</u>
Private Equity			<u>1,198,187</u>
Total Plan Assets			<u>\$ 41,393,299</u>

The changes in assets measured at fair value for which the Plan has used Level 3 inputs to determine fair value are as follows for the year ended December 31, 2017:

	<u>Level 3 Reconciliation</u>					
	Balance, January 1, 2017	Advisory, Management and Performance Fees	Investment Income	Realized and Unrealized Gains	Balance, December 31, 2017	Change in Unrealized Gain (Loss) for Investments Still Held at December 31, 2017
Real Estate/Hedge Funds/ Private Debt	<u>\$ 1,364,897</u>	<u>\$ (24,827)</u>	<u>\$ (341,027)</u>	<u>\$ (423)</u>	<u>\$ 998,620</u>	<u>\$ (4,423)</u>

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 – PENSION PLANS (Continued)

The Plan's financial assets measured at fair value on a recurring basis as of December 31, 2016 were classified in the table below in one of the three categories as defined above:

	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash Equivalents and Receivables for Securities Sold	<u>(13,695)</u>	<u>-</u>	<u>(13,695)</u>
Private Debt	<u>-</u>	<u>1,364,897</u>	<u>1,364,897</u>
Subtotal	<u>\$ (13,695)</u>	<u>\$ 1,364,897</u>	<u>1,351,202</u>
Common/Collective Trusts reported at NAV:			
Domestic Equity – Large Cap			5,643,827
Domestic Equity – Small Cap			5,301,121
International Equity – Developed			5,962,241
Fixed Income – High Yield			<u>3,095,615</u>
Total Common Collective Trusts			<u>20,002,804</u>
Registered Investment Company reported at NAV:			
Real Asset			5,935,214
International Equity – Emerging Markets			1,973,956
Fixed Income High Yield			<u>1,815,405</u>
Total Registered Inv. Company			<u>9,724,575</u>
Partnership/Joint Venture Interest reported at NAV:			
Real Estate			<u>4,476,264</u>
Hedge Fund of Funds			<u>1,925,627</u>
Private Equity			<u>522,058</u>
Total Plan Assets			<u>\$ 38,002,530</u>

The changes in assets measured at fair value for which the Plan has used Level 3 inputs to determine fair value are as follows for the year ended December 31, 2016:

	<u>Level 3 Reconciliation</u>					
	<u>Balance, January 1, 2016</u>	<u>Advisory, Management and Performance Fees</u>	<u>Investment Income</u>	<u>Realized and Unrealized Gains</u>	<u>Balance, December 31, 2016</u>	<u>Change in Unrealized Gain (Loss) for Investments Still Held at December 31, 2016</u>
Real Estate/Hedge Funds/ Private Debt	<u>\$ 1,124,636</u>	<u>\$ (27,418)</u>	<u>\$ 267,680</u>	<u>\$ (1)</u>	<u>\$ 1,364,897</u>	<u>\$ 131</u>

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 – PENSION PLANS (Continued)

The following table sets forth additional disclosures of Public Health Solution Pension Plan’s investments whose fair value is determined by using Level 3 inputs and whose fair value is measured using the net asset value (NAVs) per share practical expedient as of December 31, 2017:

<u>Investment Objective</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Partnership/Joint Venture Interests	\$ 4,670,260	\$ -	Quarterly	60 days
Hedge Fund of funds	2,057,157	-	Quarterly	60 days
Private Equity	1,198,187	1,400,000	-	-
Private Debt	<u>998,620</u>	<u>754,367</u>	-	-
	<u>\$ 8,924,224</u>	<u>\$ 2,154,367</u>		

The following table sets forth additional disclosures of Public Health Solution Pension Plan’s investments whose fair value is determined by using Level 3 inputs and whose fair value is measured using the net asset value (NAVs) per share practical expedient as of December 31, 2016:

<u>Investment Objective</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Partnership/Joint Venture Interests	\$ 4,476,264	\$ -	Quarterly	60 days
Hedge Fund of funds	1,911,426	-	Quarterly	60 days
Private Equity	522,058	1,975,000	-	-
Private Debt	<u>1,364,897</u>	<u>636,738</u>	-	-
	<u>\$ 8,274,645</u>	<u>\$ 2,611,738</u>		

Public Health Solutions’ policy is to recognize transfers in and transfers out as of the beginning of the reporting period of the event or change in circumstance that caused the transfer. There was no transfer between levels as of December 31, 2017 and 2016.

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

The following is a description of the valuation methodology used for assets at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Common/Collective Trusts:

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

Registered Investment Companies:

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

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 – 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 NAV provide 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, 2017 and 2016.

Public Health Solutions plans to contribute approximately \$2,802,630 in cash or cash and credits to fund the Plan in 2018.

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, 2017 and 2016, Public Health Solutions contributed \$1,009,294 and \$1,061,373, 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 \$36,462,609 and \$32,576,126, respectively, on December 31, 2017 and 2016, were administered by Vanguard Fiduciary Trust Company in 2017.

Effective January 1, 1978, Public Health Solutions adopted a 403(b) Tax Deferred Annuity ("TDA") Plan for all employees. The TDA is funded solely by employee contributions. In conjunction with the opening of the Retirement Savings Plan, the TDA was closed to additional active employee contributions effective January 1, 2007. All of the TDA's assets, which totaled \$13,843,979 and \$13,234,466, respectively, on December 31, 2017 and 2016, are administered by TIAA-CREF, Mutual of America, and Mass Mutual (formerly The Hartford).

Effective April 7, 2003, Public Health Solutions adopted a nonqualified 457(b) Deferred Compensation Plan for highly compensated employees. The Plan is funded solely by employee contributions. All of the Plan's assets, which totaled \$652,483 and \$718,239, respectively, on December 31, 2017 and 2016, are administered by TIAA-CREF and Vanguard.

During the years ended December 31, 2017 and 2016, Public Health Solutions contributed \$38,727 and \$70,599, respectively, into a multi-employer defined contribution pension plan for all union employees.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 – LINE OF CREDIT

At December 31, 2017 and 2016, Public Health Solutions had a \$5 million line of credit with a financial institution. The line of credit had outstanding balances of \$2,650,000 and \$1,650,000 at December 31, 2017 and 2016, respectively. The line expires on September 10, 2018 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 4.25% and 3.50% as of December 31, 2017 and 2016, respectively). Management expects to renew the line of credit upon expiration. Interest expense incurred for the line of credit amounted to \$81,287 and \$94,209 for the years ended December 31, 2017 and 2016, respectively. As of June 28, 2018, there was \$2,650,000 borrowed.

NOTE 7 – RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 amounted to \$92,211 and \$91,847, respectively. The funds were received from donors to be used to support Public Health Solutions' programs.

Net assets released from temporary restrictions for the years ended December 31, 2017 and 2016 were released by incurring expenses satisfying the program restrictions and the expiration of time restrictions specified by the donors.

Endowment net assets consist of donor-restricted funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on existence or absence of donor imposed restrictions. See Note 2I for how Public Health Solutions maintains its net assets.

During 2017, the donor removed all restrictions from its permanently restricted net assets. Accordingly, Public Health Solutions had no permanently restricted net assets on December 31, 2017.

Public Health Solutions adheres to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). Public Health Solutions recognizes that NYPMIFA permits the Board of Directors to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five year average of the fair value of the endowment funds. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected in temporarily restricted until appropriated.

Public Health Solutions' Board has interpreted NYPMIFA as allowing the entity to appropriate for expenditure or accumulate so much of an endowment fund as the entity determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

The objective of Public Health Solutions is to maintain the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in low-risk investments that will provide a predictable stream of funding. Even though the donor did not restrict the earnings of the endowment, Public Health Solutions records earnings as temporarily restricted until appropriated by the Board for expenditure.

In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. Public Health Solutions has not incurred such deficiencies in its endowment funds as of December 31, 2017.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 – RESTRICTED NET ASSETS (Continued)

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	<u>Unappropriated Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,782	\$ 316,783	\$ 319,565
Release of permanently restricted	-	(316,783)	(316,783)
Interest income	974	-	974
Appropriation of income	<u>(3,756)</u>	<u>-</u>	<u>(3,756)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

	<u>Unappropriated Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 927	\$ 264,603	\$ 265,530
Contribution	-	52,180	52,180
Interest income	<u>1,855</u>	<u>-</u>	<u>1,855</u>
Endowment net assets, end of year	<u>\$ 2,782</u>	<u>\$ 316,783</u>	<u>\$ 319,565</u>

NOTE 8 – LEASE COMMITMENTS

Public Health Solutions holds 17 operating lease commitments (one for administrative offices and 15 for project services) that have expiration dates through 2032. The following is a yearly schedule of future minimum rental commitments under these leases:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 5,280,493
2019	5,345,685
2020	5,323,201
2021	5,182,882
2022	3,269,327
Thereafter	<u>12,294,446</u>
Total	<u>\$ 36,696,034</u>

Public Health Solutions anticipates that as leases expire new leases will be entered into at rentals which are not less than those previously paid for the equivalent facilities. Rent expense totaled approximately \$5,421,000 and \$5,229,000 in 2017 and 2016, respectively.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 9 – CONTINGENCIES

- A. Grant awards received from governmental agencies provide grantors the right to audit transactions charged to projects and services rendered by Public Health Solutions with right of reimbursement. One audit was conducted in 2017 and it is management's opinion that no material liability exists that could affect the financial statements in connection with the audit.
- 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.

At the end of 2017, there were three pending lawsuits alleging malpractice by Public Health Solutions. In these cases, the professional medical services at MIC were provided pursuant to an Agreement between Public Health Solutions and a hospital. Those Agreements require the hospital to indemnify Public Health Solutions for the actions of the hospitals' professionals. One case involves still birth, another is a wrongful death action brought on behalf of the decedent MIC patient, and the third is a case alleging untreated fetal distress. The case involving still birth has been disposed with no attempt from the plaintiff to put this case back on trial. Counsel believes it's unclear whether plaintiff's counsel intends to continue with this case. The case involving wrongful death was scheduled for trial on January 30, 2017, but it has been delayed and is not yet rescheduled. The case involving fetal distress has been settled as of April 12, 2017 and Public Health Solutions is responsible for the \$25,000 self-insured retention deductible. The outside attorneys representing Public Health Solutions in these matters have opined that recoveries, if any, would be below our insurance limits.

On August 17, 2017, the Supreme Court, State of New York, entered a preliminary order approving a settlement agreement resolving a class action lawsuit brought against Public Health Solutions by an employee in Public Health Solutions' Early Intervention Service Coordination program alleging unpaid overtime. The settlement provided for claimants to file claims with Public Health Solutions, for attorneys' fees to plaintiffs' counsel, and for an additional payment to the named plaintiff. A fairness hearing was held in March 29, 2018 and the Court subsequently issued a final order. Public Health Solutions provided the payments for all claims to plaintiffs' counsel on May 31, 2018 and attorneys' fees will be paid within the next few months.

- 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, 2017 and 2016, 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 \$576,000 as of December 31, 2017 and 2016, 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.

**PUBLIC HEALTH SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 9 – CONTINGENCIES (Continued)

- D. The U.S. Attorney's Office for the Southern District of New York issued to Public Health Solutions a Civil Investigative Demand ("CID") on October 27, 2017, and the New York State Attorney General issued an identical subpoena on December 13, 2017 (collectively "the Subpoenas") in connection with a joint investigation by the two offices. The governments have not disclosed the exact nature of their investigation, but it is apparently focused on billing practices by Public Health Solutions' now discontinued Early Intervention Service Coordination Program. As of December 31, 2017, Public Health Solutions was actively working on its response to the Subpoenas and had made one production of responsive documents to the governments. Public Health Solutions continues to cooperate with the governments' requests, and Public Health Solutions' response to the Subpoenas is ongoing. Public Health Solutions advised its government funders of the investigations, 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, 2017 and 2016 in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions. Public Health Solutions is no longer subject to federal or state and local income tax examinations by tax authorities for years ended before 2014.

NOTE 10 – RELATED PARTY TRANSACTIONS

As a major player in New York City's public health arena, Public Health Solutions seeks and obtains Board of Director candidates from a wide range of hospitals, universities and other New York City area organizations that provide health services or are otherwise connected to the public health field. In addition, Article 1, Sections 2 and 4 of Public Health Solutions' by-laws mandate the appointment of 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 amount contracted with such agencies and organizations approximated \$228 million and \$195 million in 2017 and 2016, respectively. Contracts with local government agencies are awarded in accordance with rigorous government procurement regulations. The award of contracts to Director and ex-officio Director-affiliated organizations comply with Public Health Solutions' purchasing procedures; Directors and ex-officio Directors play no role in the process in either their organizational or directorship capacities. Management believes that Public Health Solutions is in full compliance with its comprehensive conflict of interest policy.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through June 28, 2018, 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, 2017**

<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 NYCDOHMH PHPR Zika Project	93.069		\$ 19,134,636 <u>1,438,986</u> 20,573,622	\$ 9,124,678 <u>-</u> 9,124,678
Adult Viral Hepatitis Prevention and Control: Auxiliary Perinatal Hepatitis B Prevention Program	93.270		<u>82,083</u> 82,083	<u>-</u> -
Family Planning Services : Family Planning Services - Title X Enhancing Links Primary Care	93.217		4,896,469 <u>85,421</u> 4,981,890	1,996,813 <u>-</u> 1,996,813
National Bioterrorism Hospital Preparedness Program: Hospital Preparedness Program - HPP	93.889		<u>8,204,073</u>	<u>5,340,042</u>
Mental Health Research Grants: Scale-up of an Internet-Delivered Randomized Controlled Trial for HIV+Men	93.242		<u>288,469</u>	<u>33,800</u>
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF): PPHF 2014: NYCDOHMH Enhance an IIS to Interface with VTRCKS PPHF 2014: NYCDOHMH Immunization Infrastructure Enhancements to Meet Interoperability Requirements AFIX Assessments Standards for Adult Immunization Increase HPV Vaccine Adolescents	93.733		97,819 103,788 213,811 399,230 <u>149,379</u> 964,027	- - - - <u>-</u> -
Healthy Start Initiative: Healthy Start Initiative	93.926		680,785	389,077
Pass-Through from Fund for Public Health in New York:				
Healthy Start Initiative: Healthy Start Brooklyn	93.926	80255, 82628	<u>7,797</u> 688,582	<u>-</u> 389,077
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements: PHEP - Supplemental Ebola Response	93.074		<u>811,047</u>	<u>-</u>
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities: NYC DOHMH HPP Ebola Part A NYC DOHMH HPP Ebola Part B	93.817		1,359,241 <u>559,872</u> 1,919,113	1,029,302 <u>524,012</u> 1,553,314
Pass-Through from Emory University:				
HIV Demonstration, Research, Public and Professional Education Projects Mobile Messaging Intervention	93.941	T679257, T854380	<u>74,890</u>	<u>-</u>

**PUBLIC HEALTH SOLUTIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<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>
Pass-Through from New York City Department of Health and Mental Hygiene: HIV Emergency Relief Project Grants: Ryan White	93.914	H89HA00015-27-01	\$ 89,976,302	\$ 68,386,688
HIV Prevention Activities - Health Department Based:	93.940			
HIV Prevention Program		2U62PS223460-06-2, U62PS005013, 10AE002501R2X00	16,763,052	10,068,971
HIV Prevention Activities-Non-Governmental Organization Based:	93.939			
Capacity Building Assistance for High-Impact HIV Prevention		1U65PS00451-01, 1S65PS00451-01	205,481	-
TANF Cluster: Temporary Assistance for Needy Families: PHS Nurse Family Partnership	93.558	15FN000301R0X00	509,510	-
Medicaid Cluster: Pass-Through from New York State Department of Health: Medical Assistance Program:	93.778			
IPA Navigator Program		C028889	399,610	-
MICHC		C028971	250,768	-
Consumer Assistance for Aged, Blind and Disabled		C029904	1,100,736	345,945
			1,751,114	345,945
Children's Health Insurance Program: IPA Navigator Program	93.767	C028889	68,505	-
Maternal and Child Health Services Block Grant to the States: MIC-Women's Health Service MCH	93.994	C027053	96,601	-
Pass-Through from Research Foundation of the State University of New York: Maternal and Child Health Services Block Grant to the States: SIDS Info Counseling	93.994	RF#73032-2-112840	160,852	-
			257,453	-
Pass-Through from Fund for Public Health in New York: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants: FPHNY-Tobacco Control Reimbursement	93.531	80404	6,788	-
Partnerships to Improve Community Health: Partnership to Improve Community Health	93.331	82256	56,545	-
Pass-Through from Community Health Network: Special Projects of National Significance: TWEET Care	93.928	N/A	23,339	-
Pass-Through from New York City Department of Health & Mental Hygiene: Special Projects of National Significance: Project Succeed	93.928	1 U90HA30517-01-0	36,473	-
			59,812	-
Pass-Through from National Network of Public Health Institutes: Centers for Disease Control and Prevention-Investigation and Training Assistance: Opioid Project	93.283	C500	297	-
Pass-Through from The Trustees of Columbia University: Minority Health and Health Disparities Research: Culture and HIV Risk in a Diverse Population MyPeeps Mobile to Improve HIV	93.307			
		GG010626-01	26,146	-
		GG011834-01	113,233	-
			139,379	-
Nursing Research VIP HANA	93.361	GG012114-01	6,140	-
Pass-Through from Conference of Radiation Control Program Directors, Inc: Environmental Public Health and Emergency Response: NYC Radiation Response Volunteer Corps - RRVC	93.070	N/A	22,163	-

**PUBLIC HEALTH SOLUTIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<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>
Pass-Through from New York Blood Center, Inc.: Child Health and Human Development Extramural Research: Using Technology to Match Young Black MSM to HIV Testing Options	93.865	NIH000262	\$ 64,660	\$ -
Pass-Through from National Development and Research: Child Health and Human Development Extramural Research: Understanding the Impact of Abuse on Men's Risk Behavior	93.865	655B	41,469	-
			<u>106,129</u>	<u>-</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	36,370	-
Pass-Through from Emory University: Prevention of Disease, Disability, and Death by Infectious Diseases: Emory Camp	93.084	N/A	919	-
Pass-Through from The General Hospital Corporation Prevention of Disease, Disability, and Death by Infectious Diseases Global Travepinet	93.084	229507	27,878	-
			<u>28,797</u>	<u>-</u>
Total Funded by U.S. Department of Health and Human Services:			<u>148,581,633</u>	<u>97,239,328</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-3 DOH01-C-30399GG-3 DOH01-C-30939GG-3	9,243,649 30,170,655 1,984,710	- - -
			<u>41,399,014</u>	<u>-</u>
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	207,151	-
Total Funded by U.S. Department of Agriculture			<u>41,606,165</u>	<u>-</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	84,012	-
Total Funded by U.S. Department of Labor			<u>84,012</u>	<u>-</u>
U.S. Department of Housing and Urban Development: Pass-Through from New York City Department of Health: Housing Opportunities for Persons with AIDS - HOPWA: HOPWA Transitional Housing	14.241	2U62PS223460-06-2	2,044,752	1,220,642
Total Funded by U.S. Department of Housing and Urban Development			<u>2,044,752</u>	<u>1,220,642</u>
Amounts Provided to Subrecipients				<u>\$ 98,459,970</u>
Total Expenditures of Federal Awards			<u>\$ 192,316,562</u>	

**PUBLIC HEALTH SOLUTIONS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017. 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 checks redeemed totaling \$30,170,655, 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, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2018.

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.



New York, NY
June 28, 2018

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, 2017. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("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, 2017.

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
September 26, 2018

**PUBLIC HEALTH SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 93.778 – Medical Assistance Program (Medicaid; Title XIX)

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, 2017**

Prior Year Findings:

There were no findings in the prior year audit.