

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

**Financial Statements, Audit Reports and
Supplementary Information Related to the
Office of Management and Budget Circular A-133
For the Year Ended September 30, 2013
With Summarized Information for 2012
With Report of Independent Auditors**

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.
Financial Statements and Additional Information
September 30, 2013

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REPORT OF INDEPENDENT AUDITORS

To Management and the Board of Directors
Fund for Public Health in New York, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Fund for Public Health in New York, Inc. (the Organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of operations and changes in net assets, functional expenses and cash flows for the year 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of material misstatement.

An audit involves performing procedures to obtain 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 Fund for Public Health in New York as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Restatement of September 30, 2012 Financial Statements

We also audited the adjustments described in Note 2 that were applied to restate the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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. 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 also have issued our report dated June 24, 2014 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mitchell & Titus, LLP

June 24, 2014

FUND FOR PUBLIC HEALTH OF NEW YORK, INC.

Statements of Financial Position

As of September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u> (As restated)
ASSETS		
<i>Current assets</i>		
Cash	\$ 8,789,416	\$ 7,231,045
Grants and contributions receivables, net	26,220,021	11,094,263
Prepaid expenses	34,921	146,317
Total current assets	<u>35,044,358</u>	<u>18,471,625</u>
<i>Other assets</i>		
Property and equipment net of accumulated depreciation (\$75,919 in 2013 and \$103,572 in 2012)	138,362	77,454
Beneficial interest in assets held by others	881,395	936,385
Other assets	34,876	34,876
Total other assets	<u>1,054,633</u>	<u>1,048,715</u>
Total assets	<u><u>\$ 36,098,991</u></u>	<u><u>\$ 19,520,340</u></u>
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable	\$ 166,460	\$ 1,035,758
Accrued expenses	8,990,831	6,764,065
Accrued payroll and benefits	405,360	430,295
Other liabilities	14,665	428,586
Total current liabilities	<u>9,577,316</u>	<u>8,658,704</u>
<i>Other liabilities</i>		
Endowment advance	869,047	927,596
Deferred rent	47,277	60,414
Total other liabilities	<u>916,324</u>	<u>988,010</u>
Total liabilities	<u>10,493,640</u>	<u>9,646,714</u>
<i>Net assets</i>		
Unrestricted net assets	2,186,791	1,282,116
Temporarily restricted net assets	23,418,560	8,591,510
Total net assets	<u>25,605,351</u>	<u>9,873,626</u>
Total liabilities and net assets	<u><u>\$ 36,098,991</u></u>	<u><u>\$ 19,520,340</u></u>

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

FUND FOR PUBLIC HEALTH OF NEW YORK, INC.

Statement of Operations and Changes in Net Assets

For the Year Ended September 30, 2013

(With Summarized Financial Information for 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	(As restated) Total
REVENUE AND RECLASSIFICATIONS				
U.S. Department of Health and Human Services	\$ 24,610,397	\$ -	\$ 24,610,397	\$ 41,600,864
Contributed services	2,663,418	-	2,663,418	1,937,805
Other grants and contributions	3,507,879	27,106,563	30,614,442	6,894,763
Program fees	307,065	-	307,065	308,182
Other	106,297	-	106,297	1,092
Net assets released from restrictions	12,279,513	(12,279,513)	-	-
Total revenue and reclassifications	43,474,569	14,827,050	58,301,619	50,742,706
EXPENSES				
Program services	39,299,237	-	39,299,237	50,229,175
Management and general	3,270,657	-	3,270,657	3,324,333
Total expenses	42,569,894	-	42,569,894	53,553,508
Change in net assets	904,675	14,827,050	15,731,725	(2,810,802)
Net assets at beginning of year, as restated	1,282,116	8,591,510	9,873,626	12,684,428
Net assets at end of year	\$ 2,186,791	\$ 23,418,560	\$ 25,605,351	\$ 9,873,626

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

FUND FOR PUBLIC HEALTH OF NEW YORK, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2013

(With Summarized Financial Information for 2012)

	2013			2012
	<u>Program Services Expenses</u>	<u>Management and General Expenses</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
Salaries and wages	\$ 9,968,895	\$ 1,582,798	\$ 11,551,693	\$ 13,906,941
Fringe benefits	2,815,417	447,845	3,263,262	3,965,891
Contracted program services	18,857,518	250	18,857,768	23,989,761
Professional fees and other services	2,982,422	764,247	3,746,669	3,995,647
Supplies	857,936	16,820	874,756	89,897
Occupancy expenses	22,886	251,091	273,977	261,973
Donated services	2,663,418	-	2,663,418	1,937,805
Equipment	-	14,543	14,543	50,322
Travel	163,237	574	163,811	281,442
Staff expense	300,637	15,230	315,867	358,976
Meetings	80,945	8,230	89,175	29,973
Printing and materials	449,013	10,897	459,910	4,147,630
Other expenses	136,913	121,519	258,432	513,899
Depreciation and amortization	-	36,613	36,613	23,351
Total expenses	\$ 39,299,237	\$ 3,270,657	\$ 42,569,894	\$ 53,553,508

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

FUND FOR PUBLIC HEALTH OF NEW YORK, INC.

Statements of Cash Flows

For the Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u> (As restated)
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 15,731,725	\$ (2,810,802)
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</i>		
Depreciation and amortization	36,613	23,352
Decrease in beneficial interest in assets held by others	54,990	(85)
Disposal of computer software and hardware	-	259,805
<i>Change in operating assets and liabilities</i>		
Change in grants and contributions receivable	(15,125,758)	(1,509,726)
Change in prepaid expenses	111,396	(110,652)
Change in other assets	-	9,224
Change in accounts payable and accrued expenses	1,357,468	3,876,753
Change in accrued payroll and benefits	(24,935)	107,519
Change in other liabilities	(472,470)	(552,301)
Change in deferred rent	(13,137)	27,297
Net cash provided by (used in) operating activities	<u>1,655,892</u>	<u>(679,616)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(97,521)</u>	<u>-</u>
Net cash used in investing activities	<u>(97,521)</u>	<u>-</u>
Net change in cash	1,558,371	(679,616)
Cash, at beginning of year	<u>7,231,045</u>	<u>7,910,661</u>
Cash, at end of year	<u><u>\$ 8,789,416</u></u>	<u><u>\$ 7,231,045</u></u>

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

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 1 ORGANIZATION

Fund for Public Health in New York, Inc. (the Organization) addresses pressing public health needs, fosters private sector support to enhance health and healthcare, and helps to educate the public regarding the protection of individual, family, and community health. The Organization administers programs across the health spectrum, including programs focused on both chronic and communicable diseases. Its programs heighten emergency preparedness, enhance individual and healthcare sector efforts to prevent disease, and support innovation and excellence in public health and healthcare programs.

The Commissioner of the City of New York Department of Health and Mental Hygiene (DOHMH) proposes eight members of the Organization's Board of Directors (the Board) following recommendation by the Board's nominating committee and ratification by a majority of the entire Board. In addition, the Commissioner and the Executive Deputy Commissioner of the DOHMH and one member of the City of New York Board of Health, who is selected by the Commissioner, serve ex-officio as members of the Board.

The U.S. Department of Health and Human Services (DHHS) was the principal source of financial support to the Organization during the fiscal year, largely through grants from the Centers for Disease Control and Prevention, the Assistant Secretary for Preparedness and Response and the Office of the National Coordinator for Health Information Technology. The Organization is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor agency.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

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

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Net Assets

The Organization's net assets are classified into three categories as follows:

Unrestricted Net Assets

Unrestricted net assets are expendable for the general operations of the Organization. Such net assets are reflective of the revenues and expenses associated with the principal operating activities of the Organization and are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of operations and changes in net assets as net assets released from restrictions. At September 30, 2013 and 2012, temporarily restricted net assets included both time and purpose restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations requiring such resources to be maintained in perpetuity and the income to be utilized for operating or other donor-restricted purposes. There were no permanently restricted net assets at September 30, 2013 or 2012.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization maintains its cash in bank deposit accounts that may exceed federally insured limits. The Organization has not experienced any losses in such accounts. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Cash and Cash Equivalents *(continued)*

The Organization is required by an anonymous donor to maintain a separate bank account for funds donated for the purpose of establishing an endowment. Conditions made by the donor regarding changes to the status, structure or programmatic nature of the Organization could result in the funds being returned to the donor. Therefore, the Organization has classified the gift as an asset (beneficial interest in assets held by others) and a liability. As of September 30, 2013 and 2012, the Organization held such funds totaling \$881,395 and \$936,385, respectively.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is recorded on a straight-line basis over the three-to-10-year estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less. The Organization capitalizes all purchases of property and equipment in excess of \$5,000.

Certain property and equipment are acquired through funds received under Federal grant agreements.

According to Federal regulations, any equipment item obtained through Federal funds is subject to a lien by the Federal government. As long as the Organization maintains its tax-exempt status, or so long as the equipment is used for its intended purpose, the Organization is not required to reimburse the Federal funding source. If the stated requirements are not met, the Organization would be obligated to the Federal government in an amount equal to the fair value of the equipment. There were no reimbursements made in 2012 or 2013.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Grants Revenue and Receivable

Grants are recognized as revenue when earned.

Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met.

Grants based on meeting performance measures or other deliverables are recorded as revenue as the terms or deliverables are met and accepted by the funder. For such grants, grant funds received prior to the incurrence of the qualifying expenses are recorded as temporarily restricted revenue when milestones are achieved.

The HEAL 22 grant provided by New York State, in connection with the electronic health records project, is a milestone-based grant and has three main phases. As part of the grant proposal, the Organization and the DOHMH developed a milestone framework based on its experience with electronic health care record implementation that determines the activities associated with each milestone, and concluded that the milestones were substantive in nature. The Organization monitors progress on each phase based on review of performance checklists and attestations of completion of each phase from providers.

These phases are completed by practice sites. Each practice site provides signed documentation to the DOHMH for approval. The DOHMH approves each milestone at each practice site. These approved and signed documents or attestations are then forwarded to the Organization to substantiate that the milestone has been met. The phases, when complete, represent achieved milestones at which point the Organization recognizes revenue as specified in the grant award.

The phases or milestones are:

- 1) Identification/selection of provider/practice sites and subsequent execution of participation agreement with the Regional Extension Center
- 2) Successful installation/“go live” of behavioral health electronic health records
- 3) Documentation of meeting functional requirements

The total amount of revenue recognized for each of the three phases or milestones is as follows for the year ended September 30, 2013—Phase 1: \$3,719,200; Phase 2: \$9,925,800; Phase 3: \$1,000.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Grants Revenue and Receivable *(continued)*

Grants and contracts receivable consist of eligible costs under the grants and contracts that were incurred prior to year end for which payment has not been received. At September 30, 2013 and 2012, the Organization had received grants from governmental entities in the aggregate amount of \$23,450,833 and \$43,271,727, respectively. These grants have not been recorded in the financial statements as they have not been earned.

Contribution Revenue and Receivable

Contributions are recorded at fair value when received or pledged. Amounts are recorded as temporarily or permanently restricted revenue if they have donor stipulations that limit the use of the donated asset. Unconditional contributions that are expected to be collected within one year are recorded at their net realizable value. Unconditional contributions that are expected to be collected beyond one year are recorded at the fair value using a present value technique of the estimated future cash flows, discounted at rates adjusted for risk and applicable to the years in which the promises were received. Fair value adjustments of \$29,208 and \$11,370 for the years ended September 30, 2013 and 2012, respectively, were also recorded to reflect temporarily restricted contribution receivables in excess of one year at fair value (see Note 3). Amortization of the discount is credited to contributions revenue. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. There were no conditional contributions as of September 30, 2013 and 2012, respectively.

Allowance for Uncollectible Accounts

The carrying value of grants and contract receivable and contributions receivable is lowered by an appropriate allowance for uncollectible accounts, which approximates net realizable value. The Organization determines its allowance by considering a number of factors, including the length of time receivables are past due, the Organization's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Receivables outstanding longer than the payment terms are considered past due. The Organization writes off accounts receivables when they become uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Allowance for Uncollectible Accounts *(continued)*

An allowance for uncollectible receivables in the amount of \$146,100 for the year ended September 30, 2012 was recorded. It was determined that all grants and contracts receivable as of September 30, 2013 will be collected; therefore, no allowance has been established.

Contributed Services

Contributed services totaling \$2,663,418 and \$1,937,805 in 2013 and 2012, respectively, included personnel costs related to two of the Organization's programs, one of which was provided by an entity whose president is a member of the Organization's Board in the amount of \$393,496. Contributed services are reflected as revenue and the corresponding program expense in the accompanying statement of operations and changes in net assets.

Contributed services do not reflect support received from DOHMH staff in their roles as supervisors and general expertise and oversight on grant funded work, since the grants support work that enhances the work of the DOHMH.

Expense Allocations

Expenses that are not specifically attributable to program services or management and general expenses are allocated by management based on variable allocation factors.

Program Management

Salary expenses of \$547,401 and \$902,519 were allocated to programs based on Central office staff time spent working on the program for the fiscal years ended September 30, 2013 and 2012, respectively.

Tax Status

The Organization was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Tax Status *(continued)*

The Organization adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether or not tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. The Organization is no longer subject to income tax examinations by U.S. Federal, state or local tax authorities for years before 2009, which is the standard statute of limitations look-back period.

Advertising Expenses

As part of its program activity, the Organization incurred advertising expenses of \$572,241 and \$1,641,621 for the years ended September 30, 2013 and 2012, respectively. Advertising expenses are reflected in the statement of functional expenses under professional fees and other services. Advertising expenses incurred at the time of invoicing are direct expenses to grants and are recorded in accordance with the grant terms and grant period. Advertising expenses are not capitalized.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interpretation of Relevant Law

On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), a modified version of the Uniform Prudent Management of Institutional Funds Act, which superseded the State of New York Uniform Management of Institutional Funds Act (the prior law). NYPMIFA provides standards for the prudent management and investment of institutional funds and the delegation of management and investment functions to outside advisors. The Organization, as a matter of policy, employs prudent standards of conduct (general investment objectives, procedures for monitoring investment performance, asset allocation, and diversification) for managing and investing its funds. The Organization has evaluated the effect of NYPMIFA on the investments, appropriation, and management of its institutional funds and determined that no additional actions need to be taken to be in compliance with the NYPMIFA.

Investments

Investments are reported at fair value, which is generally based on current market quotations. All investment income is unrestricted as to use. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Investment Transactions and Income

Purchases and sales of securities are recorded on a trade-date basis. Realized and unrealized gains, if any, and losses are reflected in the statement of operations and changes in net assets. Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date.

Beneficial Interest in Assets Held by Others

The Organization has a beneficial interest in assets held by others which is administered by a third party (see Note 5). The Organization measures its beneficial interest in the trust at fair value of the underlying investments, which are in money market funds (see Note 4 for more information related to the determination of fair value). The amount of the Organization's beneficial interest in assets held by others is offset by a related liability since the agreement from the donor allows for the possibility of the Organization having to return the funds held in beneficial interest.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

New Accounting Pronouncement

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04 (ASU 2011-04), *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 amended Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, to converge the fair value measurement guidance in U.S. GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures, although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Effective October 1, 2012, the Organization adopted ASU 2011-04 and the disclosures are included in Note 4. The adoption of ASU 2011-04 did not have an effect on the Organization's financial statements.

Summarized Financial Information for Fiscal 2012

The accompanying financial statements include certain prior-year summarized comparative information in total, but not by net asset classification or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2012, from which the summarized information was derived.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prior-Period Adjustments for Fiscal 2012

During fiscal year 2013, the Organization reviewed the contracts under the Technical Assistance Fund and determined that there was no liability associated with such contracts. Therefore, beginning balances pertaining to deferred revenue were overstated and temporarily restricted net assets understated by \$3,792,046. In prior periods, the Organization assumed there was a liability for any amounts that would be available to doctors and medical centers who decided to opt out of the program, which was not consistent with the Technical Assistance Fund contract provisions. In addition, there were adjustments to several other grants totaling \$297,186 that increased temporarily restricted net assets and decreased unrestricted net assets in prior years. This correction was based on the Organization's determination that some revenue previously recognized as unrestricted in prior periods was in fact temporarily restricted as no expenditures had been incurred. Finally, there was a change in grants and contributions receivable and, correspondingly, in unrestricted net assets due to \$10,496 in revenue recognized in 2013 which should have been recognized in 2012.

In the statement of financial position, the following changes were made to prior-period balances:

	<u>Restated</u>	<u>As Reported in 2012</u>	<u>Adjustments</u>
Grants and contributions receivables	\$ 11,094,263	\$ 11,083,767	\$ 10,496
Other liabilities	428,586	4,220,632	(3,792,046)
Unrestricted net assets	1,282,116	1,568,806	(286,690)
Temporarily restricted net assets	8,591,510	4,502,278	4,089,232

NOTE 3 GRANTS AND CONTRIBUTIONS RECEIVABLE

As of September 30, 2013 and 2012, contributions receivable are due as follows:

	<u>2013</u>	<u>2012</u>
		(As restated)
Less than one year	\$ 3,311,071	\$ 1,138,456
More than one year	1,971,310	530,255
Less: Fair value adjustment	(29,208)	(11,370)
Total	<u>\$ 5,253,173</u>	<u>\$ 1,657,341</u>

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 3 GRANTS AND CONTRIBUTIONS RECEIVABLE *(continued)*

Management made an assessment of donor risk on contributions receivable outstanding over one year. A risk premium of 0.5% was determined to be appropriate considering the nature and financial integrity of the organizations included in the assessment.

The discount rate applied to contributions receivable in excess of one year consists of the application of a current two-year Treasury bill rate. Amounts due in more than one year are adjusted to fair value using present value techniques that assume a discount rate between 0.76% and 0.91% in 2013 and 0.69% and 0.78% in 2012.

Grants receivable represented contractual expenses incurred and reimbursable under Federal, state and local grants at September 30, 2013 and 2012 and consisted of the following:

	<u>2013</u>	<u>2012</u>
<i>U.S. Department of Health and Human Services</i>		
Health Resources and Services Administration	\$ 1,062,248	\$ 1,342,765
Office of National Coordinator for Health Information Technology	465,214	446,488
Centers for Disease Control	3,565,012	6,083,491
Substance Abuse and Mental Health Services Administration	191,150	146,657
State of New York Department of Health	15,261,664	1,195,616
Other	421,560	368,005
Less: Allowance for uncollectible receivables	-	(146,100)
Total	<u>\$ 20,966,848</u>	<u>\$ 9,436,922</u>

The unbilled amounts included in grants receivable amounted to \$7,085,382 and \$6,487,860 for the years ended September 30, 2013 and 2012, respectively.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 4 FAIR VALUE MEASUREMENTS

The Organization is subject to the provisions of the authoritative guidance issued by the FASB for fair value measurements. The authoritative guidance establishes a framework that provides a fair value hierarchy to prioritize the inputs to valuation techniques used for fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in inactive markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Changes in valuation techniques may result in transfers in or out of an assigned level within the hierarchy.

The following describes the valuation methodologies used for assets measured at fair value:

Money market accounts (including beneficial interest in assets held by other) – Valuation is derived based on bank statement values.

The methods used may produce a fair value calculation that may not indicate net realizable value or reflect future fair values. Furthermore, while the Organization 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.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 4 FAIR VALUE MEASUREMENTS *(continued)*

There were no assets or liabilities measured at fair value on a nonrecurring basis as of September 30, 2013 and 2012. There were no transfers between levels of the fair value hierarchy.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Interest-bearing cash</i>				
Money market funds	\$ -	\$ 2,996,223	\$ -	\$ 2,996,223
<i>Beneficial interest in assets held by others</i>				
Donor-advised fund	-	-	881,395	881,395
	<u>\$ -</u>	<u>\$ 2,996,223</u>	<u>\$ 881,395</u>	<u>\$ 3,877,618</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Interest-bearing cash</i>				
Money market funds	\$ -	\$ -	\$ -	\$ -
<i>Beneficial interest in assets held by others</i>				
Donor-advised fund	-	-	936,385	936,385
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 936,385</u>	<u>\$ 936,385</u>

The beneficial interest in assets held by others contains no liquidity restrictions and is available for withdrawal upon written notice.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 4 FAIR VALUE MEASUREMENTS *(continued)*

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended September 30, 2013 and 2012:

	2013	2012
Balance, beginning of the year	\$ 936,385	\$ 936,300
Interest income	3,559	85
Withdrawal	(12,057)	-
Appropriation of endowment assets for expenditure	(46,492)	-
Balance, end of year	\$ 881,395	\$ 936,385

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents Level 3 financial instruments, the valuation technique used to measure the fair value of the financial instrument, and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair Value	Principal Valuation Technique	Significant Unobservable Inputs	Ranges of Input Values
Donor-advised fund	\$881,395	Value as reflected in the statements from beneficial interest financial institution	<ul style="list-style-type: none"> • Changes in donor stipulations • Possible withdrawal amount • Possible withdrawal date 	<ul style="list-style-type: none"> • \$0 – \$881,395 • \$0 – \$881,395 • October 1, 2013 and thereafter

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 5 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization received funds from a certain donor to establish an endowment fund. The funds are held and managed by FJC, a Foundation of Philanthropic Funds, as an FJC Earmarked Fund Account, which earns interest quarterly. Under the terms of the agreement, the Organization may spend 5% of the net asset value of the fund annually for general support. The donor reserves the right to designate another Section 501(c)(3) organization to receive this endowment fund if there are changes in the status, structure, or programmatic direction of the Organization that is not satisfactory to the donor. As such, the amount of the beneficial interest is also reported as a liability (endowment advance) in the accompanying statements of financial position. At September 30, 2013 and 2012, the amount of the endowment advance was \$869,047 and \$927,596, respectively.

The donor has complete authority and responsibility regarding the investment of the funds. As such, these funds are not subject to any endowment investment policies of the Organization. Furthermore, there is no established fair value regarding the level of the assets to be maintained or stipulations required by the donor concerning the investment.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets held by the Organization are summarized below, and are available for various program services supported by the following donors for the years ended September 30:

Purpose Restrictions

	2013	2012
		(As restated)
Active Living	\$ -	\$ 687
Active Recreation For kids	-	6,801
Alcohol Symposium	-	1,704
Breast Cancer Care	51,125	71,475
Breastfeeding	182,387	-
Bronx Teen Connection	26,422	-
Environmental Health	59,907	11,964
Epi Scholars	11	56,501
Female Condoms	-	4
Green Carts Initiative	-	25,097
Health Ministries	-	5,148
Health and Nutrition Examination Survey	350,626	-
Healthy Baby	-	9,438
Healthy Eating	136,170	-
Hearing Loss	-	-
Hepatitis C	288,420	899,673
HIV Testing	102,012	66,785
Honoraria	44,845	81,979
Medication Adherence	-	5,875
Medication Therapy	-	32,092
Nurse Family Partnership	441,543	10,370
Other	90,284	27,728
Primary Care Information	14,091,517	4,467,982
School-based Health	1,916,634	846,167
Sodium Reduction	-	40
Syndromic Surveillance	354,277	305,786
Total	\$ 18,136,180	\$ 6,933,296

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 6 **TEMPORARILY RESTRICTED NET ASSETS** *(continued)*

Time Restrictions

	<u>2013</u>	<u>2012</u>
Breastfeeding	\$ 988,223	\$ -
Health and Nutrition Examination Survey	548,686	-
Hearing Loss	150,000	-
Hepatitis C	75,000	100,308
HIV Testing	109,505	29,999
Nurse Family Partnership	1,045,000	695,000
Primary Care Information	5,000	362,161
School-based Health	2,360,966	-
Sodium Reduction	-	12,933
Syndromic Surveillance	-	457,813
Total	<u>\$ 5,282,380</u>	<u>\$ 1,658,214</u>

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets released from donor restrictions because of expenses incurred satisfying the restricted purposes during the years ended September 30 were as follows:

	<u>2013</u>	<u>2012</u>
Active Living	\$ 10,730	\$ 98,216
Active Recreation for Kids	3,900	958
Alcohol Symposium	1,705	-
Breast Cancer Care	20,350	8,525
Breastfeeding	80,205	-
Bronx Teen Connection	80,578	-
Diabetes	53,550	-
Colon Cancer Screening	-	69,139
Environmental Health	11,964	-
Epi Scholars	110,286	135,396
Female Condoms	-	31,590
Greencarts Initiative	24,351	83,647
Health Ministries	-	97,790
Healthy Aging	-	17,124
Health and Nutrition Examination Survey	414,821	-
Healthy Baby	10,012	4,173
Healthy Eating	74,116	-
Hepatitis C	1,149,439	803,319
HIV Testing	159,030	342,925
Honoraria	40,887	-
Medication Therapy	-	114,582
Mental Health	70,000	-
Nurse Family Partnership	1,292,070	1,807,201
Oral Health	50,000	-
Other	68,339	17,408
Primary Care Information Project	192,230	1,194,260
School-based Health	6,832,083	1,746,226
Sodium Reduction	12,973	-
Staten Island Public Health	-	47,465
Syndromic Surveillance	1,515,894	414,350
Total	<u>\$ 12,279,513</u>	<u>\$ 7,034,294</u>

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 7 PENSION PLAN

The Organization has a defined contribution pension plan covering substantially all full-time employees who meet certain eligibility requirements. The amount contributed to the plan is a fixed percentage of participants' compensation. Net pension expense amounted to \$603,747 and \$689,379 for the years ended September 30, 2013 and 2012, respectively.

NOTE 8 CONTINGENCIES

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in adjustments to reimbursements claimed by the Organization for the various programs conducted for or on behalf of the funding sources. In management's opinion, any potential adjustments resulting from such audits would not have a material effect on the accompanying financial statements.

NOTE 9 LEASE COMMITMENT

In May 2011, the Organization leased new office space in New York City. The term of the lease is five years and two months and expires on July 31, 2016.

The lease includes three months of free rent totaling \$52,662, which is being amortized over the life of the lease.

The Organization applies annually for a tax abatement from the New York City Department of Finance Commercial Revitalization/Commercial Expansion. It was deemed eligible to receive this abatement for the 2012 and 2013 fiscal tax years. The total tax abatement received through September 30, 2013 and 2012 was \$16,875 and \$7,031, respectively.

The office lease provides for the minimum annual payments as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2014	\$ 240,780
2015	245,171
2016	186,576
	<u>\$ 672,527</u>

These amounts reflect rent credits and tax abatements previously discussed.

Rent expense for fiscal years ended 2013 and 2012 was \$234,604 and \$230,290, respectively.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 9 LEASE COMMITMENT *(continued)*

The lease agreement contains a clause pertaining to tax escalation that would require the Organization to pay additional rent based on an increase in real estate taxes. The lease also contains a rent increase clause of 1.8% annually, beginning May 1, 2012.

NOTE 10 CONCENTRATION OF CREDIT/REVENUE RISKS

Cash is exposed to various risks, such as interest rate, market and credit risks. To minimize such risks, the Organization maintains its cash in various bank deposit accounts that may exceed federally insured limits. At September 30, 2013 and 2012, the Organization's cash was placed into high credit quality financial institutions and, accordingly, the Organization does not anticipate any losses with respect to these depository accounts.

The Organization's mission is to provide fiscal management and support for public health programs in New York City through its partnership with the DOHMH. Therefore, all program activity is concentrated within the New York City geographic region. During the fiscal years ended 2013 and 2012, the Organization received 100% of its Federal funding from the DHHS. Such funding accounted for 42% and 82% of the Organization's total revenue, respectively. The Organization also received a significant portion of its funding from the New York State Department of Health. Such funding accounted for 38% and 3% of the Organization's total revenue for fiscal years ended 2013 and 2012, respectively.

Due to the concentration of funds from Federal and New York State sources, there is a risk that the Organization would not be able to continue in its current capacity or support certain programs if this source of funding were to be lost. Management is confident that the Organization would continue to be able to perform its functions through reductions and cost-cutting measures as a result of the unique nature of its partnership with the DOHMH.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Financial Statements

September 30, 2013

NOTE 11 PROPERTY AND EQUIPMENT

Property and equipment, net, at September 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 2,839	\$ 12,304
Furniture and fixtures	118,104	116,761
Computer software and hardware	93,338	51,961
Total cost	<u>214,281</u>	<u>181,026</u>
<i>Less: Accumulated depreciation</i>	<u>75,919</u>	<u>103,572</u>
Property and equipment, net	<u><u>\$ 138,362</u></u>	<u><u>\$ 77,454</u></u>

During the year ended September 30, 2012, an evaluation was made regarding the Organization's investment in a Grant Management System (GMS). It was determined that despite best efforts, the system would not perform as expected and the project was discontinued. The cost of computer software and hardware pertaining to the GMS totaling \$311,766 was written off during fiscal year 2012.

NOTE 12 SUBSEQUENT EVENTS

The Organization evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation was performed through June 24, 2014, the date these financial statements were available for issuance. There were no subsequent events to recognize in these financial statements.

**SUPPLEMENTARY INFORMATION AND REPORTS
OF INDEPENDENT AUDITORS**

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grant Number</u>	<u>2013 Federal Expenditures</u>
U.S. Department of Health and Human Services:			
Centers for Disease Control and Prevention:			
Environmental Public Health Emergency Response (9/1/2011-8/31/2012)	93.070	N/A	\$ 4,859
Environmental Public Health Emergency Response (7/1/2012-6/30/2013)	93.070	N/A	158,336
Environmental Public Health Emergency Response (9/1/2012-8/31/2013)	93.070	N/A	267,048
Environmental Public Health Emergency Response (7/1/2013-6/30/2014)	93.070	N/A	36,545
Environmental Public Health Emergency Response (9/1/2013-8/31/2014)	93.070	N/A	21,656
Total Environmental Public Health Emergency Response			<u>488,444</u>
Viral Hepatitis Prevention (9/30/2012-9/29/2013)	93.736	N/A	188,897
Total Viral Hepatitis Prevention			<u>188,897</u>
Investigations and Technical Assistance (9/30/2011-3/30/2013)	93.283	N/A	16,031
Investigations and Technical Assistance (9/30/2012-3/30/2013)	93.283	N/A	394,986
Passed through Health Research, Inc.:			
Investigations and Technical Assistance (6/30/2012-6/29/2013)	93.283	5U58DP00202904	266,359
Investigations and Technical Assistance (6/30/2013-6/29/2014)	93.283	5U58DP00202905	50,851
Total Investigations and Technical Assistance			<u>728,227</u>
ARRA - Prevention and Wellness - Communities Putting Prevention to Work			
Funding Opportunities Announcement			
CPPW Obesity (3/19/10-3/18/13)	93.724	N/A	571,594
CPPW Tobacco (3/19/10-3/18/13)	93.724	N/A	212,025
CPPW Evaluation (9/30/10-3/18/13)	93.724	N/A	54,456
Total ARRA - Prevention and Wellness - Communities Putting Prevention to Work			<u>838,075</u>
Funding Opportunities Announcement			
Public Prevention Health Fund Community Transformation Grant and National			
Dissemination and Support for Community Transformation Grant (9/30/12-9/29/13)	93.531	N/A	7,949,949
Public Prevention Health Fund Community Transformation Grant and National			
Dissemination and Support for Community Transformation Grant (9/30/13-9/29/14)	93.531	N/A	3,388
Total Public Prevention Health Fund Community Transformation Grant and			<u>7,953,337</u>
National Dissemination and Support for Community Transformation Grant			

See accompanying notes.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013 *(continued)*

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	2013 Federal Expenditures
U.S. Department of Health and Human Services:			
Centers for Disease Control and Prevention <i>(continued)</i> :			
Substance Abuse and Mental Health Services Administration			
Projects of Regional and National Significance (9/30/2012-9/29/2013)	93.243	N/A	\$ 716,362
Projects of Regional and National Significance (9/30/2013-9/29/2014)			609
Total Projects of Regional and National Significance			<u>716,971</u>
Office of the Secretary			
Teenage Pregnancy Prevention Program (9/30/2012-9/29/2013)	93.297	N/A	1,783,441
ARRA - Health Information Technology			
Regional Extension Centers Program (2/8/2010-2/7/2014)	93.718	N/A	7,178,874
National Bioterrorism Hospital Preparedness Program (7/1/2011-6/30/2013)	93.889	N/A	1,311,068
Health Resources and Services Administration			
Healthy Start Initiative (6/1/2012-5/31/2013)	93.926	N/A	903,260
Healthy Start Initiative (6/1/2013-5/31/2014)	93.926		225,606
Total Healthy Start Initiative			<u>1,128,866</u>
Centers for Medicare and Medicaid Services			
Healthcare Innovation Challenge (7/1/12-6/30/13)	93.610	N/A	2,001,113
Healthcare Innovation Challenge (7/1/13-6/30/14)	93.610	N/A	1,022,362
Total Healthcare Innovation Challenge			<u>3,023,475</u>
Passed through New York State Department of Health:			
Medical Assistance Program - Medicaid Cluster (10/1/2012-9/30/2014)	93.778	C028048	69,419
Passed through Brown University			
Environmental Health (4/1/12-3/31/13)	93.113	5R01 E5019955-02	55,693
Environmental Health (4/1/13-3/31/14)	93.113	5R01 E5019955-03	42,311
Total Environmental Health			<u>98,004</u>
Passed through NYU School of Medicine			
Research on Healthcare Costs Quality and Outcomes (9/1/12-8/31/13)	93.226	5 R21 HS020982-02	32,510
Research on Healthcare Costs Quality and Outcomes (9/1/12-8/31/13)	93.226	1 R21 HS020982-01A1	54,994
Research on Healthcare Costs Quality and Outcomes (9/1/13-8/31/14)	93.226	1 R21 HS020982-02	10,994
Total Research on Healthcare Costs Quality and Outcomes			<u>98,498</u>
Total U.S. Department of Health and Human Services			<u>25,605,596</u>
Total Federal Awards			<u>\$ 25,605,596</u>

See accompanying notes.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2013

NOTE 1 GENERAL

The information in the schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (SEFA) is presented on the accrual basis of accounting.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

NOTE 3 SUBRECIPIENTS

The Organization provided Federal awards to subrecipients, as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Subrecipient</u>	<u>Amount Provided to Subrecipient</u>
Projects of Regional and National Significance (9/30/2012-9/29/2013)	93.243	New York Center for Child Development	\$ 349,711
	93.243	The Mental Health Association of New York City	46,215
	93.243	The Trustees of Columbia University in the City of New York	108,753
		Subtotal	<u>504,679</u>
Public Prevention Health Fund Community Transformation Grant and National Dissemination and Support for Community Transformation Grant (9/30/12-9/29/13)	93.531	Bedford-Stuyvesant Restoration Corporation	163,300
	93.531	Institute for Family Health	146,175
	93.531	Make the Road New York	157,463
	93.531	Montefiore Medical Center	50,000
	93.531	Mount Sinai School of Medicine	148,025
	93.531	NC Prevention Partners	164,500
	93.531	NYC Department of Finance	96,327
	93.531	NYCAPS	52,000
	93.531	NYCHA	168,984
	93.531	Public Health Solutions - Coalition	439,194
	93.531	Public Health Solutions - Partnership	862,618
93.531	Staten Island Partnership for Community Wellness	145,962	
	Subtotal	<u>2,594,548</u>	
Healthcare Innovation Challenge (7/1/12- 6/30/13)	93.610	Community Access, Inc.	620,740
	93.610	NYC Health and Hospitals Corporation	50,803
	93.610	Riverdale Mental Health Association	25,000
	93.610	Services for the Underserved, Inc.	370,900
	93.610	Visiting Nurse Services of NY	181,876
Healthcare Innovation Challenge (7/1/13- 6/30/14)	93.610	Community Access, Inc.	181,250
	93.610	Riverdale Mental Health Association	265,200
	93.610	Services for the Underserved, Inc.	196,768
	Subtotal	<u>1,892,536</u>	
ARRA - Health Information Technology Regional Extension Centers Program (2/8/2010- 2/7/2014)	93.718	Charles B. Wang Community Health Center	60,000
	93.718	Montefiore Medical Center	465,000
	93.718	Morris Heights Health Center	11,000
	93.718	Mount Sinai Hospital	64,500
	93.718	New York Methodist Hospital	42,000
	93.718	New York Presbyterian Hospital	48,000
	Subtotal	<u>690,500</u>	
ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement	93.724	Columbia University Medical Center	18,510
	93.724	Trustees of Columbia University in the City of New York	34,252
	Subtotal	<u>52,762</u>	
Viral Hepatitis Prevention (9/30/2012- 9/29/2013)	93.736	COPE	806
	93.736	Harlem United	4,902
	93.736	VOCAL - NY	32,785
	Subtotal	<u>38,493</u>	
Healthy Start Initiative (6/1/2012-5/31/2013)	93.926	CAMBA, Inc.	48,822
	93.926	SCO Family of Services	364,508
	Subtotal	<u>413,330</u>	
		Grand total	<u><u>\$ 6,186,848</u></u>

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

NOTE 4 RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO AUDITED FINANCIAL STATEMENTS

The total expenditures as reflected in the SEFA varies from the amount reported in the statement of operations and changes in net assets as DHHS revenue due to the inclusion of several pass-through contracts as well as Federal expenditures that were paid for via program revenue or other matching funds. The revenue related to these reconciling items is reflected in other grants and contributions revenue in the accompanying statement of operations and changes in net assets. The reconciling items are listed below:

Total Expenses per SEFA Schedule \$ 25,605,596

Less: Pass Throughs:

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Amount
<i>Passed through Health Research, Inc.:</i>			
Investigations and Technical Assistance (6/30/2012-6/29/2013)	93.283	5U58DP00202904	\$ 266,359
Investigations and Technical Assistance (6/30/2013-6/29/2014)	93.283	5U58DP00202905	50,851
<i>Passed through Brown University:</i>			
Environmental Health (4/1/12-3/31/13)	93.113	5R01 E501 9955-02	55,693
Environmental Health (4/1/13-3/31/14)	93.113	5R01 E501 9955-03	42,311
<i>Passed through NYU School of Medicine:</i>			
Research on Healthcare Costs Quality and Outcomes (9/1/12-8/31/13)	93.226	5 R21 HS020982-02	32,510
Research on Healthcare Costs Quality and Outcomes (9/1/12-8/31/13)	93.226	1 R21 HS020982-01A1	54,994
Research on Healthcare Costs Quality and Outcomes (9/1/13-8/31/14)	93.226	1 R21 HS020982-02	10,994
<i>Passed through New York State Department of Health:</i>			
Medical Assistance Program - Medicaid Cluster (10/1/2012-9/30/2014)	93.778	C028048	69,419
<i>Other adjustments:</i>			
ARRA - Health Information Technology Regional Extension Centers Program (Program Income & Matching)	93.718		409,822
Other miscellaneous adjustments			2,246
Total adjustments			<u>995,199</u>
U.S. Department of Health and Human Services Revenue per Statement of Operations and Changes in Net Assets			<u>\$ 24,610,397</u>

REPORT OF INDEPENDENT AUDITORS 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

To Management and the Board of Directors
Fund for Public Health in New York, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States 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 Fund for Public Health in New York, Inc. (the Organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of operations and changes in net assets, cash flows and functional expenditures for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2014.

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 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 of 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 result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mitchell & Titus, LLP

June 24, 2014

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To Management and the Board of Directors
Fund for Public Health in New York, Inc.

Report on Compliance for Each Major Federal Program

We have audited Fund for Public Health in New York, Inc.'s (the Organization) compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control over Compliance

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

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mitchell & Titus, LLP

June 24, 2014

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.
Schedule of Findings and Questioned Costs
September 30, 2013

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial statements section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes √ no
- Significant deficiency(ies) identified? _____ yes √ none reported

Noncompliance material to financial statements noted? _____ yes √ no

Federal awards section

Internal control over major programs:

- Material weakness(es) identified? _____ yes √ no
- Significant deficiency(ies) identified? _____ yes √ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes √ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.531	Public Prevention Health Fund Community Transformation Grant and National Dissemination and Support for Community Transformation Grant
93.610	Healthcare Innovation Challenge
93.718	ARRA – Health Information Technology Regional Extension Centers Program
93.724	ARRA – Prevention & Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement

Dollar threshold used to distinguish between type A and type B programs: \$ 768,168

Auditee qualified as low-risk auditee? _____ yes √ no

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.
Schedule of Findings and Questioned Costs
September 30, 2013

PART II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.
Summary Schedule of Prior Audit Findings (Unaudited)
September 30, 2013

Finding #2012-1 Significant deficiency noted in internal control over financial reporting

Criteria or specific requirement: The financial statement close process did not ensure that proper cutoff was achieved for all revenues/receivables and expenses/payables.

Condition: During the course of our audit, we noted that not all expenses incurred during fiscal 2012 were recorded. In addition, we noted that there was a lack of sufficient controls in place to monitor the timely recording of expenses and revenue in the correct fiscal period. Upon inquiring with management, it was noted that certain services rendered and/or purchases made were related to fiscal 2012; however, since these expenses were unpaid as of year end, they were not captured in the Organization's general ledger as fiscal 2012 expenses. As a result of this cut-off issue, we advised management to expand their procedures to identify material expenses incurred in fiscal 2012 that were not expensed in 2012. As a result of the expanded review, management noted that expenses of approximately \$875,000 (47 items) were incurred and unrecorded in fiscal 2012. This amount is in addition to the \$225,000 (4 items) we noted in connection with our testing procedures. As a result of the aforementioned errors, approximately \$1,191,000 (51 items) in grants revenue and receivables, including indirect expenses that were eligible for reimbursement, were not recognized. All adjustments related to the aforementioned unrecorded amounts were made to properly reflect the expenses and related payables as well as the revenue and related receivables at September 30, 2012.

Context: For the year under audit, we noted that certain expenses and accruals and the related receivables and revenues for eligible expenses reimbursed by government funds were not recorded.

Effect: The expenses and liabilities as well as the revenue and accounts receivable were understated.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.
Summary Schedule of Prior Audit Findings (Unaudited)
September 30, 2013

Finding #2012-1 Significant deficiency noted in internal control over financial reporting
(continued)

Cause: The understatement of expenses and accrued expenses as well as the understatement of accounts receivable and revenue appears to be due to a misunderstanding and misinterpretation of the appropriate cut-off time period to be utilized for expense and revenue recognition. Given that the end of the grant period was similar to the fiscal year end, there was an error in understanding that the cutoff used for grant reporting differs from that required for financial reporting. The grant managers are required to submit eligible expense reimbursements within 90 days of the end of the grant period, which resulted in transactions that were received by the grant managers subsequent to fiscal year end pertaining to fiscal 2012, which were recorded in fiscal 2013 as opposed to fiscal 2012. In connection with the year-end financial statement close process, the time period utilized for determining accounting recognition was the grant year or budget year as opposed to the fiscal year.

Recommendations: We recommend that the Finance Department formalize its revenue and expense cut-off timing and related procedures. The Finance Department should be doing a review of unpaid invoices, purchase orders/contracts and any additional documentation on a quarterly basis to ensure all items that should be expensed/accrued for are reflected in the appropriate period. We suggest that there be closer coordination between the Finance Department and grant managers on grant activities, whereby the accounting recognition is reviewed by the Finance Department based on transactions recorded by the Grant Department. For the grant-driven expenses, there should be a quarterly meeting to review expenses based on the grant agreement, which should be compared to expenses expected for that quarter. These discussions will allow for a more thorough understanding of the grant activities by the Finance Department, which will assist in proper accounting recognition.

At year end and/or the end of the grant period, there should be an extensive review by the Finance Department of invoices submitted for payment as well as subsequent and/or expected payments to ascertain whether expenses have been properly recognized as an expense in the proper period and that any grant revenue and related receivables that should be recognized is also recorded so on a timely basis.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.
Summary Schedule of Prior Audit Findings (Unaudited)
September 30, 2013

Finding #2012-1 Significant deficiency noted in internal control over financial reporting
(continued)

**Views of responsible
officials and planned
corrective actions:**

Financial Control Procedures

The financial statement close process will include clear explanations of revenue and expense cut-off timing and related procedures. On at least a quarterly basis, finance and grant managers will review expenses and associated payables, identify amounts to be recognized as revenues and receivables, as well as determine what encumbered funds should be reviewed with the program.

All of the Organization's revenue and expenses (grant and non-grant) will be thoroughly reviewed at the fiscal year end. Additionally, for those grants with grant year ends that are different than the fiscal year end will be put through a similar review process, which is required for grant reporting.

An outside accounting firm will be retained to support this work, and will develop processes to determine accuracy and completeness. Furthermore, the outside accounting firm will perform test procedures on cash receipts and disbursements quarterly.

Internal Control - Review of Invoices

In April 2013, management began implementing a new process concerning the review of invoices, which included ensuring that invoices are received timely and have the appropriate information to allow for proper accounting recognition, quarterly review of accounts payable performed by a contracted accounting firm, and a monthly review of obligated funds that are unspent. In addition, in connection with its year-end financial statement close process, the Finance and Accounting Departments will review all expenses submitted for payment where the work delivered is dated in the previous fiscal year and determine if a further accrual is needed.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.
Summary Schedule of Prior Audit Findings (Unaudited)
September 30, 2013

Finding #2012-1 Significant deficiency noted in internal control over financial reporting
(continued)

Fiscal year 2013 update: We noted that the Finance Department formalized its revenue and expense cut-off procedures in the Accounting Policies and Procedures Manual (the Manual). The Manual was updated in fiscal 2013 and finalized in December 2013. The Organization will formally implement the policies and procedures outlined in the Manual starting October 1, 2013. There were significant improvements noted in the financial statement close process. There is now closer coordination between the Finance Department and the grant managers. On a quarterly basis, the Finance Department and the grant managers met to review the following: 1) grant expense based on the grant agreement for comparison with the expected expense, 2) the general ledger for any missing payments, 3) obligated funds that were unspent, and 4) financial reports for each grant depicting budget versus actual for major variances.

In connection with its year-end financial statement close process, management included a set of comprehensive procedures and controls to ensure that all expenses are appropriately approved and coded. The Director of Grants and Finance and the Controller reviews all non-grant revenue and expenses on an ongoing basis prior to recording the transaction in the general ledger system. We noted whether all invoices (grant and non-grant) had the appropriate approval. All invoices include the service date and/or service period based on when the expense was incurred. In addition, for a selected sample of non-grant revenue, we reviewed the executed contracts to ensure that they are appropriate and verified the revenue was recorded in the correct period and in the appropriate net asset classification. The Organization hired a third-party accounting consultant in fiscal 2013 to support the above work.

During our search for unrecorded liabilities, we tested an expanded sample and did not note any unusual items and/or any cut-off issue with recognizing the expense in the correct period. We also reviewed the unpaid invoice files. From the samples selected, we reviewed the supporting documentation to determine whether there were any potential expenses unaccounted for at year end and noted whether expenses were recorded properly. No exceptions were noted.

FUND FOR PUBLIC HEALTH IN NEW YORK, INC.
Summary Schedule of Prior Audit Findings (Unaudited)
September 30, 2013

Finding #2012-1 Significant deficiency noted in internal control over financial reporting
(continued)

Fiscal year 2013 update: During our substantive procedures for grants receivable and related revenue, we tested an expanded sample of subsequent cash receipts. We reviewed grant agreements in conjunction with the cash receipt support to determine whether these amounts were appropriately included/excluded in fiscal 2013. We did not note any unusual items and/or exceptions in connection with our testing. We also performed revenue cut-off testing for revenues recorded during the last 15 days of fiscal 2013 and the first 15 days of fiscal 2014 and reviewed the supporting grant agreements, noting the revenue was reflected in the correct periods.
(continued)

Management has advised us that it will continue to improve its financial controls by focusing on the following areas:

- Continuing to utilize the new internal control procedures to ensure appropriate documentation, particularly with regard to cut-off;
- Instituting ADP time accounting;
- Producing additional reports to keep better track of grant spending, such as monthly encumbrance reports;
- Engaging a third-party consultant to validate the appropriate usage of accounting functions through quarterly reviews in these areas;
- Obtaining written reports from the third-party consultant on their findings and sharing with appropriate individuals and organizations (i.e., Audit Committee and auditors); and
- Revising the monthly and quarterly closing schedules to make it more user friendly.

Management has also indicated that it will continue to challenge and monitor its control processes to ensure that they are effective. Furthermore, should there be any changes in financial controls required by any sources (Federal, state, city), new controls will be developed and implemented.

Based on the client's corrective action plan that is currently in place, as well as the results from our tests of transactions as described above, we concluded that while there is still a deficiency in internal control over financial reporting, it is no longer deemed a significant deficiency and, therefore, no longer a financial statement finding. We will continue to review management's progress in addressing our recommendations.