HELP/PSI Services Corp.
and Affiliate

Consolidated Financial Statements, Schedule of Expenditures of Federal Awards, Internal Control and Compliance (with Supplementary Information) and Independent Auditor's Reports

December 31, 2014

HELP/PSI Services Corp. and Affiliate

Index

	Page
Independent Auditor's Report	2-3
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities and Change in Net Assets	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8-22
Supplementary Information:	
Consolidating Statement of Financial Position	23
Consolidating Statement of Activities and Changes in Net Assets	24
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Independent Auditor's 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*	27-28
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133	29-30
Schedule of Findings and Questioned Costs	31-33
Schedule of Prior Year's Findings	34

Independent Auditor's Report

To the Board of Directors
HELP/PSI Services Corp.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of HELP/PSI Services Corp. and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HELP/PSI Services Corp. and Affiliate as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Restatement of Financial Statements

As discussed in Note 13 to the consolidated financial statements, net assets as of December 31, 2013 have been restated. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in the accompanying statements on pages 23 and 24 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and the changes in net assets of the individual organizations, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of Federal awards, as required by 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 May 31, 2015, on our consideration of HELP/PSI Services Corp. and Affiliate'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 HELP/PSI Services Corp. and Affiliate's internal control over financial reporting and compliance.

Cohn Reznick LLP

New York, New York
May 31, 2015, except for the schedule of expenditures of Federal awards as to which the date is September 25, 2015.

HELP/PSI Services Corp. and Affiliate

Consolidated Statement of Financial Position
December 31, 2014

Assets

Current assets:	
Cash	$ 8,728,959
Restricted cash	636,257
Board-designated cash	791,017
Patient services receivable, net	5,420,417
340B pharmacy receivable, net	1,152,460
Grants and contracts receivable	1,087,414
Prepaid expenses and other current assets	2,374,313
Total current assets	20,190,837
Property and equipment, net	15,886,783
Other assets:	
Security deposits	780,806
Investments	281,995
Deferred financing costs, net	711,354
Total other assets	1,774,155
Total	$ 37,851,775

Liabilities and Net Assets

Current liabilities:	
Current maturities of long-term debt	$ 920,755
Line of credit	400,000
Accounts payable and accrued expenses	2,996,334
Accrued salaries and related liabilities	2,608,361
Current maturities of capital lease payable	106,996
Due to third-party payor	964,705
Deposit on sale of nursing home licensed beds	462,696
Due to Retirement Savings Plan	1,694,751
Total current liabilities	10,154,598
Long-term liabilities:	
Deferred rent	936,169
Long-term debt, less current maturities	9,044,590
Capital lease payable, less current maturities	172,966
Total liabilities	20,308,323
Commitments and contingencies	
Net assets:	
Unrestricted net assets:	
Operating	16,752,435
Board designated	791,017
Total net assets	17,543,452
Total	$ 37,851,775

See Notes to Consolidated Financial Statements.

HELP/PSI Services Corp. and Affiliate

Consolidated Statement of Activities and Change in Net Assets
Year Ended December 31, 2014

Unrestricted revenue:	
Patient services revenue, net of contractual allowance	$ 53,918,688
Provision for bad debts	(257,333)
Net patient services revenue less provision for bad debts	53,661,355
Grants and contract services	3,058,447
340B pharmacy	3,219,227
Other income	795,230
Total unrestricted revenue and support	60,734,259
Expenses:	
Salaries and benefits	32,661,333
Other than personnel services	21,544,875
Interest expense	615,125
Total expenses	54,821,333
Operating income before depreciation and amortization	5,912,926
Depreciation and amortization	3,304,224
Change in net assets	2,608,702
Net assets, beginning of year, as previously reported	16,162,640
Prior period adjustment (see Note 13)	(1,227,890)
Net assets, beginning of year, as restated	14,934,750
Net assets, end of year	$ 17,543,452

See Notes to Consolidated Financial Statements.

HELP/PSI Services Corp. and Affiliate

Consolidated Statement of Functional Expenses
Year Ended December 31, 2014

	Program Services	Management and General	Fundraising	Total
Salaries	$ 22,199,950	$ 3,848,519	$ -	$ 26,048,469
Fringe benefits	5,635,850	977,014	-	6,612,864
Occupancy	1,858,115	318,186	-	2,176,301
Consulting fees	2,074,962	296,330	-	2,371,292
Prescription drugs	2,256,964	-	-	2,256,964
Consumable supplies	1,494,743	259,124	-	1,753,867
Contracted food services	1,590,984	-	-	1,590,984
Professional and legal	294,822	1,210,219	-	1,505,041
Cash receipt assessment fee	1,081,846	-	-	1,081,846
Client travel	940,491	-	-	940,491
Telephone	764,842	130,973	-	895,815
Repair and maintenance	678,980	116,270	-	795,250
Temporary staffing	431,751	327,795	-	759,546
Staff conferences and workshops	625,594	108,452	-	734,046
Special events and client recreation	697,991	-	-	697,991
Health home fees	543,169	-	-	543,169
Utilities	528,237	3,306	-	531,543
Insurance	444,406	76,100	-	520,506
Equipment rental and vehicle lease	294,851	171,227	-	466,078
Licensing fees	169,013	216,836	-	385,849
Security	342,363	-	-	342,363
Housekeeping	199,305	73,766	-	273,071
Dues and subscriptions	30,669	146,149	-	176,818
Printing, postage and periodicals	31,700	69,072	-	100,772
Interest expense and bank charges	587,826	27,299	-	615,125
Other	518,564	89,898	36,810	645,272
	46,317,988	8,466,535	36,810	54,821,333
Depreciation and amortization	2,821,130	483,094	-	3,304,224
Total expenses	$ 49,139,118	$ 8,949,629	$ 36,810	$ 58,125,557

See Notes to Consolidated Financial Statements.

HELP/PSI Services Corp. and Affiliate

Consolidated Statement of Cash Flows
Year Ended December 31, 2014

Operating activities:	
Change in net assets	$ 2,608,702
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	3,304,224
Amortization of deferred financing costs	45,046
Provision for bad debts	257,333
Changes in operating assets and liabilities:	
Restricted cash	(515,769)
Board-designated cash	272,698
Patient services receivable, net	229,537
340B receivable, net	(1,152,460)
Grants and contracts receivable	(1,086,369)
Prepaid expenses and other current assets	(1,865,177)
Security deposits	(551,737)
Accounts payable and accrued expenses	1,358,832
Deferred rent	401,652
Accrued salaries and related liabilities	52,026
Due to Retirement Savings Plan	466,861
Net cash provided by operating activities	3,825,399
Investing activities:	
Purchase of property and equipment	(3,211,915)
Net cash used in investing activities	(3,211,915)
Financing activities:	
Proceeds from long-term debt	1,100,000
Proceeds from line of credit	400,000
Repayment of capital lease payable	(69,000)
Repayment of long-term debt	(654,548)
Net cash provided by financing activities	776,452
Net increase in cash	1,389,936
Cash, beginning of year	7,339,023
Cash, end of year	$ 8,728,959
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	$ 578,226
Supplemental disclosure of noncash investing activity:	
Capital acquisitions included in capital lease payable	$ 348,962

See Notes to Consolidated Financial Statements.

Note 1 - Organization and summary of significant accounting policies

Nature of activities

HELP/PSI Services Corp. (the "Center") was incorporated on January 20, 2000 as a not-for-profit organization and operates freestanding diagnostic and treatment centers ("D&TC"), licensed under Article 28 and Article 31 of the New York State Health Law, located in the City of New York. The Center currently operates three D&TCs at 1545 Inwood Avenue in the Bronx, 803 Sterling Place in Brooklyn and 105-05 Sutphin Blvd. in Queens. The D&TCs are supported primarily by patient service fees paid by Medicaid. The Article 31 is located at 1545 Inwood Avenue.

The U.S. Department of Health and Human Services (the "DHHS") provides support to the Center. The Center is obligated under the terms of the DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

The D&TC programs primarily serve individuals with incomes below 200% of the Federal poverty level, and also provide specialized primary care for those infected with HIV. The majority of the clients are low-income persons who may have a history of substance abuse, may previously have been homeless, have histories of incarceration, or are infected with Hepatitis C.

HELP/PSI, Inc. ("PSI") was incorporated in the State of New York in March 1988 as a not-for-profit organization, operates a residential health care facility and provides Adult Day Health Care ("ADHC") and mental health home programs. PSI currently operates a residential health care facility (located at 1401 University Avenue in the Bronx) for individuals who are recovering substance abusers and HIV+/Symptomatic or are diagnosed as having Acquired Immune Deficiency Syndrome ("AIDS"). The first admission to PSI was on October 5, 1990. The ADHC program provides medical care, substance abuse counseling, social services and case management, mental health, nutritional help, and education, among many other treatments of care. PSI is supported primarily by patient service fees paid by Medicaid.

PSI also participates in the Medicaid Health Home Program. Health Home Program services consists of comprehensive care management, care coordination, health promotion, comprehensive transitional care and follow-up, patient and family support, and referral to community and social support services. To be eligible to receive services in this program, a client must have at least two chronic conditions.

HELP/PSI Services Corp. and HELP/PSI, Inc. are related through a common board. HELP/PSI Services Corp. is the sole member of HELP/PSI, Inc.

Basis of presentation

The consolidated financial statements include the financial position, changes in net assets and cash flows of the Center and its affiliate. The Center and its affiliate are collectively referred to as the "Organization". All significant intercompany accounts and transactions are eliminated in consolidation. The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Classification of net assets
The accompanying consolidated financial statements present its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted net assets are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. At December 31, 2014, the Board of Directors has designated certain unrestricted net assets for capital improvements amounting to $126,021, and the amount of $664,996 was for ongoing operations of the Organization specifically for any new clinics.

Temporarily restricted net assets are those whose use by the Organization is subject to either explicit donor-imposed stipulations or by the operation of law that can be fulfilled by actions of the Organization or that expire with the passage of time. When restrictions expire, that is, when the time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are recorded as net assets released from restrictions. At December 31, 2014, there were no temporarily restricted net assets.

Permanently restricted net assets are subject to explicit donor-imposed stipulations that they be maintained permanently by the Organization and stipulate the use of income and/or appreciation as either unrestricted or temporarily restricted based on donor imposed stipulations or by operation of law. At December 31, 2014, there were no permanently restricted net assets.

Performance indicator
The consolidated statement of activities and change in net assets includes change in net assets as the performance indicator.

Cash and cash equivalents
The Organization maintains its cash in bank deposit accounts, which, at times, may exceed Federally insured limits. At times during the year, the Organization's bank balances may exceed the limits of the Federal Deposit Insurance Corporation's insurance coverage. At December 31, 2014, the Organization's uninsured cash balances totaled approximately $10,600,000. The Organization monitors its financial institutions and concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions. All highly liquid investments available for operations with original maturities of three months or less when purchased are considered to be cash equivalents. As of December 31, 2014, the Organization does not have any cash equivalents.

Restricted cash - debt service
The Organization has restricted cash whose use has been designated as restricted by a lending institution in connection with the long-term debt entered into in 2006 and sale of the nursing home licensed beds.

Board-designated cash
The Organization has cash whose use has been designated by the Board of Directors for capital improvements and ongoing operations of the Organization specifically for any new clinics.

Grants and contracts receivable
Grants and contracts receivable consist of reimbursements due to the Organization under the grant and contract agreements for costs which were incurred prior to year-end for which payment has not been received. Grants receivable credit risk is limited due to the nature of the grants. The Organization regularly monitors its grants and contracts receivable by investigating delayed payments and differences when payments do not conform to the amount billed. Management determines the allowance for doubtful accounts by reviewing and identifying items that are uncollectible. As of December 31, 2014, outstanding grants and contracts receivable amounted to $1,087,414.

Patient services receivable and concentration of credit risk
The collection of receivables from third-party payors and patients is the Organization's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under the Organization's charity care policy, less amounts covered by third-party payors and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Organization does not charge interest on past due accounts. Patient receivables are written off against the allowance when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of provision for bad debts when received.

Deferred financing costs
Financing costs are deferred and are amortized on the straight-line basis over 20 years, the term of the related debt.

Property and equipment
Purchased property and equipment is carried at cost less accumulated depreciation and amortization. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation and amortization is computed using the straight-line

method over the estimated useful lives of the assets which range from 5 to 40 years. 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 $3,000.

According to Federal regulations, any equipment items obtained through Federal funds are subject to a lien by the Federal government. Provided that the Organization maintains its tax exempt status and the equipment is used for its intended purpose, the Organization is not required to reimburse the Federal government in an amount equal to the fair value of the equipment.

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of activities and changes in net assets.

Investments
Investments in certain entities where the Organization owns less than 20% are recorded at cost.

Impairment of long-lived assets
The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Organization compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Organization does not believe that any material impairment currently exists related to its long-lived assets.

Deferred rent
The Organization occupies certain buildings and office spaces under leases containing escalation clauses that require normalization of the rental expense over the life of the lease. The resulting deferred rent is reflected in the accompanying consolidated statement of financial position.

Fair value of financial instruments
The Organization's material financial instruments at December 31, 2014 for which disclosure of estimated fair value is required by certain accounting standards consist of cash, patient services receivable, line of credit, accounts payable and accrued expenses, accrued salaries and related liabilities, due to third-party payor. The fair value of cash, patient services receivable, line of credit, accounts payable and accrued expenses and accrued salaries and related liabilities are equal to their carrying value because of their liquidity and short-term maturity.

Management believes that as a result of the relationship between the Organization and the third-party payor from whom the advance was received, there is no practical method that can be used to determine the fair value of the due to third-party payor.

Revenue recognition

Patient services revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by administrating agencies.

The Organization provides care to certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Self-pay revenue is recorded at published charges with charitable allowances based on a sliding fee scale deducted to arrive at net self-pay revenue.

As of December 31, 2014, a portion of the amount received from Medicaid services for 2009 through 2014 has been recorded as a liability, amounting to $964,705, in the consolidated statement of financial position. During March 2000, the United States District Court ruled in favor of the plaintiff in the case of Jewish House and Hospital v. Wing. This judgment established a new recoupment formula to be utilized by the Department of Health for nursing facilities in New York State.

Government grants and contract services revenue

Revenue from government grants and contract services designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's requirements. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances.

At December 31, 2014, the Center has received conditional grants and contracts from governmental entities of approximately $2.28 million that have not been recorded in the accompanying financial statements. These grants and contracts require the Center to provide certain services and capital expenditures during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend the funds allotted under the contracts.

Donations and contributions
Contributions, including unconditional promises to give cash and other assets, are reported at fair value on the date received. Donations and contributions are recorded as either temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as unrestricted revenue. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the consolidated statement of activities and change in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as unrestricted revenue.

Charity care and community benefit
The Center is open to all patients regardless of their ability to pay. In the ordinary course of business, the Center renders services to patients who are financially unable to pay for healthcare. The Center provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size. The Center maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Community benefit represents the cost of services for Medicaid, Medicare, and other public patients that the Center is not reimbursed for.

Based on the cost of patient services, community benefit was approximately $1,050,000 for the year ended December 31, 2014.

Interest earned on Federal funds
Interest earned on Federal funds is recorded as a payable to the United States Public Health Service (the "PHS") in compliance with the regulations of the United States Office of Management and Budget.

Meaningful use incentive
The American Recovery and Reinvestment Act of 2009 ("ARRA") amended the Social Security Act to establish one-time incentive payments under the Medicare and Medicaid programs for certain professionals that: (1) meaningfully use certified EHR technology, (2) use the certified Electronic Health Record ("EHR") technology for electronic exchange of health information to improve quality of healthcare, and (3) use the certified EHR technology to submit clinical and quality measures. These provisions of ARRA, together with certain of its other provisions, are referred to as the Health Information Technology for Clinical and Economic Health ("HITECH") Act. The criteria for meaningful use incentives

will be staged in three steps over the course of six years and be paid out based on a transitional schedule. The Center's providers have met the criteria for Stage 1 and have earned $161,500 from the Medicaid and Medicare incentive program as of December 31, 2014 which is included in other income.

Functional expenses
Expenses are charged to program services and management and general based on a combination of specific identification and allocation by management.

Tax status
The Center and PSI were incorporated as not-for-profit entities under the laws of the State of New York and are exempt from income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). In addition, the Organization is not classified as a private foundation.

Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustments to the consolidated financial statements. Generally, the Organization is no longer subject to income tax examinations by Federal, state and local tax authorities for years before 2011.

If applicable, the Center recognizes interest and penalties associated with tax matters in management and general expenses and includes accrued interest and penalties in accrued expenses in the consolidated statement of financial position.

Subsequent events
The Organization has evaluated events and transactions for potential recognition or disclosure through May 31, 2015, which is the date the consolidated financial statements were available to be issued (see Note 14).

Note 2 - Patient services receivable, net

Patient services receivable, net, consist of the following at December 31, 2014:

Medicaid	$ 7,764,065
Medicaid Managed Care	1,910,204
Medicare	49,066
Private insurance	55,567
Self-pay	46,132
	9,825,034
Less allowance for doubtful accounts	4,404,617
	$ 5,420,417

Patient services receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of patient services receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management

regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

The Organization's allowance for doubtful accounts was 45 percent of patient services receivable at December 31, 2014. The Organization did not write off any patient services receivable during the year.

Note 3 - Property and equipment, net

Property and equipment, net, consists of the following at December 31, 2014:

Land	$ 420,967
Building and building improvements	17,929,815
Furniture and equipment	4,351,228
Leasehold improvements	4,988,870
	27,690,880
Less accumulated depreciation and amortization	(12,570,314)
	15,120,566
Construction in progress	766,217
	$15,886,783

Depreciation and amortization expense on property and equipment was $3,241,236 for the year ended December 31, 2014.

In the event DHHS grants are terminated, DHHS reserves the right to have the Federal interest in all assets purchased with grant funds transferred to PHS or third parties.

Note 4 - Investments

Investments consist of the following at December 31, 2014:

Entity	Amount
Community Care Management Partners	$ 164,138
Amidacare, Inc.	117,857
Total	$ 281,995

Community Care Management Partners ("CCMP") is a licensed Health Home by New York State Department of Health. CCMP is a care management organization whereby all of an individual's caregivers communicate through a care manager to ensure a patient's needs are addressed in a comprehensive manner. PSI acquired a 12.5% interest in CCMP and

has membership on its Board of Directors. For the year ended December 31, 2014, management services fee amounted to $373,566 and was recorded as part of consulting fees in the statement of functional expenses. Outstanding liability as of December 31, 2014 was approximately $124,500 and is recorded as part of accounts payable in the statement of financial position.

Amidacare, Inc. is a New York State not-for-profit corporation organized to provide managed care to people who have been diagnosed with HIV/AIDS. During 2001, PSI acquired a subvention certificate pursuant to Section 504 of the New York State Not-for-Profit Corporation Law. This subvention certificate entitles PSI to Amidacare, Inc. board membership. The Center is also a participating provider within the Amidacare, Inc. network.

Note 5 - Line of credit

The Organization has a line of credit in the amount of $4,000,000. This agreement requires interest to be charged at the bank's prime rate which at December 31, 2014 was 3.25%. Loans or advances against the line of credit are limited to the lesser of $4,000,000 or 85% of the aggregate amount of eligible accounts. The line of credit is secured by all assets of PSI and expires on August 31, 2015. As of December 31, 2014, the outstanding balance amount was $400,000.

Note 6 - Long-term debt

Long-term debt consists of the following at December 31, 2014:

Mortgage payable to New York City Industrial Development Agency ("IDA") in the amount of $11,740,000, with interest ranging from 3.5% to 5% over the terms of the mortgage. The mortgage matures on November 1, 2025 with the principal amount of the mortgage payable in monthly installments. The mortgage is secured by land, building and building improvements with a carrying value of $10,013,689 as of December 31, 2014. This is also secured by an irrevocable letter of credit issued by Citibank N.A. expiring in January 2016.	$ 8,015,000
Unsecured note payable amounting to $318,000 from Citibank N.A. with interest at 5.15% per annum. The loan is payable in monthly installments and due on May 10, 2021.	204,050
Note payable to Citibank N.A. in the amount of $700,000, with interest payable at 3.53% per annum. The note is secured by the equipment, machinery, and other materials purchased with the proceeds of the loan with a carrying value of $617,149 as of December 31, 2014 and is due November 15, 2019.	491,667

Credit agreement with Primary Care Development Corporation in the amount of $357,000, with interest payable based on the lower of prime plus 200 basis points or 8% per annum (5.3% at December 31, 2014). This agreement is secured by the equipment, machinery and other materials purchased from the proceeds of the loan with a carrying value of $1,987 as of December 31, 2014 and is due in full on September 1, 2016.	154,628
Unsecured note payable amounting to $1,100,000 from BankUnited N.A. with interest at 4.36% per annum. The loan is payable in monthly installments and due on December 1, 2021.	1,100,000
	9,965,345
Less current maturities	(920,755)
Long-term portion	$ 9,044,590

Principal payment requirements on the above notes in each of the 5 years subsequent to December 31, 2014 and thereafter are as follows:

Year ending December 31,	
2015	$ 920,755
2016	932,092
2017	896,443
2018	932,276
2019	963,943
Thereafter	5,319,836
Total	$9,965,345

The long-term debts require the Organization to meet certain financial and nonfinancial covenants.

Note 7 - Capital lease obligations

The Organization acquired various equipment and vehicles under multiple capital lease arrangements with lease terms through 2019 and interest rates ranging from 2.9% to 9% per annum.

The following is a summary of equipment and vehicles held under capital lease:

Equipment	$ 81,168
Vehicles	369,587
	450,755
Less accumulated depreciation	170,793
Net carrying value of assets held under capital leases	$ 279,962

Depreciation of these assets included in depreciation and amortization expense amount to $69,861 for the year ended December 31, 2014.

The Organization is liable under the terms of noncancellable capital lease obligations for the following minimum lease payments:

Year ending December 31,	
2015	$ 106,996
2016	84,319
2017	52,482
2018	27,579
2019	8,586
	279,962
Less current portion	106,996
Net carrying value of assets held under capital leases	$ 172,966

Note 8 - Patient services revenue, net

For the year ended December 31, 2014, patient services revenue, net, consists of the following:

Medicaid	$34,077,774
Medicare	433,533
Private insurance	92,024
Self-pay	56,246
Medicaid managed care	11,717,703
New York State Medicaid wraparound	7,240,289
New York State uncompensated care	301,119
	$53,918,688

Medicaid and Medicare revenue is reimbursed to the Organization at the net reimbursement rates as determined by each program. Reimbursement rates are subject to revisions under the provisions of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

Note 9 - Grants and contract services

Grants and contract services consist of the following:

U.S. Department of Health and Human Services:	
Health Centers Cluster	$1,043,340
The Bronx Collaborative for Young MSM Health	564,224
Ryan White Part C Outpatient EIS Program	216,506
New York State Office of Alcoholism and Substance Abuse Services	426,553
Robinhood Foundation	325,000
Public Health Solutions:	
HIV Prevention	210,515
Amidacare, Inc.:	
MET Grant	262,809
Others	9,500
	$3,058,447

Note 10 - Pension plan

The Organization has a 403(b) contributory defined contribution plan covering all employees who meet certain eligibility requirements. The Organization contributes as follows:

1) Employees hired before January 1, 1996:
   - 9% of compensation up to the Social Security Taxable Wage Base
   - 13% of compensation above Social Security Taxable Wage Base

2) Employees hired between January 1, 1996 and December 31, 2005:
   - 7% of compensation up to the Social Security Taxable Wage Base
   - 11% of compensation above Social Security Taxable Wage Base

3) Employees hired after December 31, 2005:
   - 5% of compensation up to the Social Security Taxable Wage Base
   - 9% of compensation above Social Security Taxable Wage Base

Employees are vested after two years of service for employees hired before January 1, 1996 and after six years for all other employees. Pension expense for the year ended December 31, 2014 was $774,951.

Note 11 - Leases

The Organization leases various office spaces under noncancelable operating leases. These leases expire between 2015 and 2025. Rent expense was $2,176,301 for the year ended December 31, 2014. These leases require future minimum annual payments as follows (including the new lease signed subsequent to year end (see Note 14):

Year ending December 31,	
2015	$ 2,514,092
2016	2,814,428
2017	2,914,887
2018	2,954,094
2019	2,946,350
Thereafter	15,230,242
Total	$29,374,093

Note 12 - Commitments and contingencies

The Organization has contracted with various funding agencies to perform certain healthcare services, and receives Medicaid and Medicare revenue from Federal, state and local governments. Reimbursements received under these contracts and payments from Medicaid and Medicare are subject to audit by Federal, state and local governments and other agencies. Upon audit, if discrepancies are discovered, the Organization could be held responsible for refunding the amounts in question.

The Center maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

The healthcare industry is subject to voluminous and complex laws and regulations of Federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws and false claims prohibitions.

In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers. The Organization believes that they are in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

Upon audit, if discrepancies are discovered, the Organization could be held responsible for refunding the amounts in question.

Note 13 - Prior period adjustment

During the course of 2014, management discovered operational defects and errors in the administration of the 403(b) pension plan which resulted in the restatement of consolidated unrestricted net assets at the beginning of the year. The net effect of the adjustment made to correct the error was to increase due to Retirement Savings Plan and decrease unrestricted net assets for the year ended December 31, 2013 by $1,227,890. Due to Retirement Savings Plan was comprised of $1,227,890 related to the prior period adjustment and the remaining $466,861 was for 2014.

The Organization, as sponsor of the plan filed a Voluntary Fiduciary Correction Plan ("VFCP") with the Internal Revenue Service in March 2015. Management does not believe that the VFCP will have an adverse material effect on the Organization's consolidated financial statements for the year ended December 31, 2014. The IRS is currently evaluating the VFCP, however, management believes the VFCP will be accepted by the IRS.

Note 14 - Subsequent events

Sale of nursing home licensed beds

On April 29, 2015, PSI closed on the sale of its nursing home licensed beds through the previously negotiated asset purchase agreement. The purchase price for the transfer of the licenses amounted to $4,626,960. PSI received the deposit of $462,696 in 2013 which is included in Board-designated cash. Since the sale of the beds was not completed prior to December 31, 2014, the deposit has been recorded as a liability in the consolidated statement of financial position.

PSI retained the ownership of the building where the beds currently reside and reached a lease agreement with the purchaser. The lease calls for annual rental payments of $288,000 per annum plus security deposit of $48,000. The term of the lease is three years and the tenant has the option to purchase the facility at fair market value during any point during the first three years of the lease. If the tenant fails to vacate the facility at the end of year three, the purchase option is automatically deemed exercised.

Sole Member Affiliation

On January 1, 2015, the Organization entered into an agreement with the Community Health Action of Staten Island ("CHASI") wherby CHASI amended its bylaws so HELP/PSI Services Corp. became the sole member of CHASI. As such, all financial transactions will be consolidated into the Organization's records for the 2015 fiscal year. As part of this agreement, the following material terms exist:

- Two members of the CHASI board of directors will be designated to the HELP/PSI Services Corp. board;
- HELP/PSI Services Corp. shall appoint a representative to the CHASI board which may be a member of Senior Leadership;

- CHASI will keep its corporate name but must identify as an affiliate of HELP/PSI Services Corp.; and,
- CHASI will transfer its Office of Alcoholism and Substance Abuse Services ("OASAS") outpatient substance abuse license to HELP/PSI Services Corp.

Alpha School
On June 6, 2014, the Center was granted a temporary chemical dependence operating certificate by OASAS as temporary sponsor/operator of Alpha School Center of Progressive Living, Inc. ("Alpha School"). Under this certification, the Center was authorized in the operation of chemical dependence services, in compliance with the requirements of 14 NYCRR Parts 800 and 814 and the laws and regulations of the State of New York. The Center applied for, and was granted, a permanent license by OASAS on April 28, 2015.

Article 31 Clinics
The Center was awarded two additional Article 31 mental health clinics by the Office of Mental Health in April 2015. One clinic is located in the Bronx, New York and the Center entered into a noncanceable operating lease for a period of ten years. Under the terms of the lease agreement, the annual rent of $98,157 has an escalation rate of 3%, based on the base rent of the preceding year.

The second clinic is located in Brooklyn, New York and the Center entered into a noncanceable operating lease for a period of two years plus a five-year option to renew the lease. Annual rent amounting to $87,923 is fixed throughout the term of the lease.

HUB Lease
On April 28, 2015, the Center entered into a noncanceable operating lease with a five-year renewal option for a period of twenty years for a new clinic to be built in the Bronx, New York. Under the terms of the lease agreement, the annual rent of $474,510 has an escalation rate of 1.5%, based on the base rent of the preceding year.

HELP/PSI Services Corp. and Affiliate

Consolidating Statement of Financial Position
December 31, 2014

Assets	HELP/PSI Services Corp.	HELP/PSI, Inc.	Total	Eliminations	Consolidated
Current assets:					
Cash	$ 7,818,659	$ 910,300	$ 8,728,959	$ -	$ 8,728,959
Restricted cash	-	636,257	636,257	-	636,257
Board-designated cash	-	791,017	791,017	-	791,017
Patient services receivable, net	1,627,414	3,958,562	5,585,976	(165,559)	5,420,417
340B pharmacy receivable, net	1,152,460	-	1,152,460	-	1,152,460
Grants and contracts receivable	1,087,414	-	1,087,414	-	1,087,414
Prepaid expenses and other current assets	780,865	1,593,448	2,374,313	-	2,374,313
Total current assets	12,466,812	7,889,584	20,356,396	(165,559)	20,190,837
Property and equipment, net	1,002,356	14,884,427	15,886,783		15,886,783
Other assets:					
Security deposits	372,167	408,639	780,806	-	780,806
Investments	-	281,995	281,995	-	281,995
Deferred financing costs, net	8,477	702,877	711,354	-	711,354
Total other assets	380,644	1,393,511	1,774,155	-	1,774,155
Totals	$ 13,849,812	$ 24,167,522	$ 38,017,334	$ (165,559)	$ 37,851,775

Liabilities and Net Assets					
Current liabilities:					
Current maturities of long-term debt	$ 84,812	$ 835,943	$ 920,755	$ -	$ 920,755
Line of credit	-	400,000	400,000		400,000
Accounts payable and accrued expenses	1,078,035	2,083,858	3,161,893	(165,559)	2,996,334
Accrued salaries and related liabilities	872,438	1,735,923	2,608,361		2,608,361
Current maturities of capital lease payable	-	106,996	106,996		106,996
Due to third-party payor	-	964,705	964,705		964,705
Deposit on sale of nursing home licensed beds	-	462,696	462,696		462,696
Due to Retirement Savings Plan	-	1,694,751	1,694,751		1,694,751
Due to related party	2,752,473	(2,752,473)	-		-
Total current liabilities	4,787,758	5,532,399	10,320,157	(165,559)	10,154,598
Long-term liabilities:					
Deferred rent	3,982	932,187	936,169		936,169
Long-term debt, less current maturities	1,169,816	7,874,774	9,044,590		9,044,590
Capital lease payable, less current maturities	-	172,966	172,966		172,966
Total liabilities	5,961,556	14,512,326	20,473,882	(165,559)	20,308,323
Net assets:					
Unrestricted net assets:					
Operating	7,888,256	8,864,179	16,752,435		16,752,435
Board designated	-	791,017	791,017		791,017
Total net assets	7,888,256	9,655,196	17,543,452	-	17,543,452
Totals	$ 13,849,812	$ 24,167,522	$ 38,017,334	$ (165,559)	$ 37,851,775

See Independent Auditor's Report.

HELP/PSI Services Corp. and Affiliate

Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2014

	HELP/PSI Services Corp.	HELP/PSI, Inc.	Total	Eliminations	Consolidated
Unrestricted revenue:					
Patient services revenue, net of contractual allowance	$ 16,477,271	$ 37,493,681	$ 53,970,952	$ (52,264)	$ 53,918,688
Provision for bad debts	(257,333)	-	(257,333)		(257,333)
Net patient services revenue less provision for bad debts	16,219,938	37,493,681	53,713,619	(52,264)	53,661,355
Grants and contract services	2,733,447	325,000	3,058,447		3,058,447
340B pharmacy	3,219,227	-	3,219,227		3,219,227
Rental income	-	264,576	264,576	(264,576)	-
Other income	580,332	214,898	795,230		795,230
Total unrestricted revenue and support	22,752,944	38,298,155	61,051,099	(316,840)	60,734,259
Expenses:					
Salaries and benefits	10,142,040	22,519,293	32,661,333		32,661,333
Other than personnel services	5,661,423	16,200,292	21,861,715	(316,840)	21,544,875
Interest expense	13,195	601,930	615,125		615,125
Total expenses	15,816,658	39,321,515	55,138,173	(316,840)	54,821,333
Operating income before depreciation and amortization	6,936,286	(1,023,360)	5,912,926	-	5,912,926
Depreciation and amortization	1,340,348	1,963,876	3,304,224		3,304,224
Changes in net assets	5,595,938	(2,987,236)	2,608,702	-	2,608,702
Net assets, beginning of year, as previously reported	2,292,318	13,870,322	16,162,640	-	16,162,640
Prior period adjustment (see Note 13)		(1,227,890)	(1,227,890)		(1,227,890)
Net assets, beginning of year, as restated	2,292,318	12,642,432	14,934,750	-	14,934,750
Net assets, end of year	$ 7,888,256	$ 9,655,196	$ 17,543,452	$ -	$ 17,543,452

See Independent Auditor's Report.

HELP/PSI Services Corp. and Affiliate

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor / Pass-Through Grantor / Program or Cluster/Title	Federal CFDA Number	Pass-Through ID/ Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Health Centers Cluster:			
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527	N/A	$ 1,043,340
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	216,506
Special Projects of National Significance	93.928	N/A	9,500
Substance Abuse and Mental Health Services Administration:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	564,224
Passed through Public Health Solutions:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	13-SBH	53,747
			617,971
Passed through Public Health Solutions:			
HIV Prevention Activities Health Department Based	93.940	13-SBH	43,748
Total U.S. Department of Health and Human Services			1,931,065
Corporation for National and Community Service:			
Passed through Amidacare, Inc.:			
Social Innovation Fund	94.019	SIF-2014	131,146
Total Corporation for National and Community Service			131,146
Total Federal Expenditures			$ 2,062,211

HELP/PSI Services Corp. and Affiliate

Notes to Schedule of Expenditures of Federal Awards
December 31, 2014

Note 1 - General information

The accompanying schedule of expenditures of Federal awards (the "Schedule") presents the activities in all Federal awards of HELP/PSI Services Corp. and Affiliate. All financial assistance received directly from the Federal agencies as well as financial assistance passed through other governmental agencies or nonprofit organizations is included on the Schedule.

Note 2 - Basis of accounting

The accompanying Schedule is presented using the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. The amounts reported in the Schedule as expenditures may differ from certain financial reports submitted to Federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

Note 3 - Relationship to basic consolidated financial statements

Federal expenditures are reported on the consolidated statement of functional expenses as program services. In certain programs, the expenditures reported in the basic consolidated financial statements may differ from the expenditures reported in the Schedule due to program expenditures exceeding grant or contract budget limitations or agency-matching or in-kind contributions which are not included in the consolidated statement of activities and change in net assets.

Note 4 - Subrecipients

There were no Federal awards provided to subrecipients.

Independent Auditor's 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*

To the Board of Directors
HELP/PSI Services Corp.

We have audited, 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, the consolidated financial statements of HELP/PSI Services Corp. and Affiliate (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (Item 2014-001).

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.

Compliance and Other Matters

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

HELP/PSI Services Corp.'s Response to Findings

HELP/PSI Services Corp.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. HELP/PSI Services Corp.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

CohnReznick LLP

New York, New York
May 31, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133

To the Board of Directors
HELP/PSI Services Corp.

Report on Compliance for Each Major Federal Program

We have audited HELP/PSI Services Corp. and Affiliate's (the "Organization") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Organization's major Federal programs for the year ended December 31, 2014. The Organization's major Federal programs are identified in the summary of 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of HELP/PSI Services Corp. and Affiliate 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.

Cohn Reznick LLP

New York, New York
September 25, 2015

HELP/PSI Services Corp. and Affiliate

Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

I. Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:			Unmodified	
Internal control over financial reporting:				
Material weakness(es) identified?	X	yes	____	no
Significant deficiency(ies) identified?	____	yes	X	none reported
Noncompliance material to financial statements noted?	____	yes	X	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	____	yes	X	no
Significant deficiency(ies) identified?	____	yes	X	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	X	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	U.S. Department of Health and Human Services:
	Health Centers Cluster:
93.527	Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program

Dollar threshold used to distinguish between type A and type B programs	$300,000			
Auditee qualified as low-risk auditee?	X	yes	____	no

Section II – Financial Statement Findings

Item 2014-001 - Books and Records

Criteria:
Reconciliation on a timely basis of books and records to assure the financial statements are presented fairly in accordance with generally accepted accounting principles in the United States of America ("GAAP").

Condition:
A significant number of adjusting journal entries was necessary for proper reporting of the Organization's financial position and activity. Many of these entries were determined by management after year-end and during the course of the audit. The entries included the adjustment for the correction of a prior period error due to the understatement of pension expenses in prior years.

Questioned Costs:
None

Effect:
The consolidated, unrestricted net assets at the beginning of the year were restated to correct the prior period error related to the understatement of pension expense in prior years. In addition, significant changes were required to the financial statements in order for them to be in accordance with GAAP.

Cause:
The prior period error related to understatement of pension expenses in prior years due to operational defects and errors in the administration of the 403(b) pension plan. In addition, a new general ledger system was implemented during the current year and the Finance department did not anticipate the time required to review all the accounts to ensure they were properly supported.

Recommendation:
We recommend that the Organization review its current policies and procedures to ensure the timely reconciliation of accounts on a monthly basis.

Management's Response:
During the middle of the fiscal year, the Organization transitioned to a new general ledger software package that caused delays in recording the entries associated with the closing of the fiscal year. In order to not delay the audit, certain accounts were reconciled as the audit was progressing and journal entries were identified for adjustment to the general ledger. The accounting software has been fully integrated and this issue will not reoccur for the closing of the 2015 fiscal year. In addition, management of the finance department discovered an error as it relates to the pension plan sponsored by the Organization. As a result of this error, a prior period entry was required to be recorded for the years 2009-2013. The correction of the error is complete and there will be no further adjustments for this issue going forward.

Section III – Federal Awards Findings and Questioned Costs

None.

HELP/PSI Services Corp. and Affiliate

Schedule of Prior Year's Findings
Year Ended December 31, 2014

There were no findings reported in the 2013 OMB A-133 Report.