Hudson River HealthCare, Inc. and Subsidiaries

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

December 31, 2014

Hudson River HealthCare, Inc. and Subsidiaries

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Independent Auditor's Report

To the Board of Directors
Hudson River HealthCare, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hudson River HealthCare, Inc. and Subsidiaries (the "Corporation"), 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 the Corporation 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

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 31 and 32 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 financial statements. Such accompanying 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 June 29, 2015, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.

CohnReznick LLP

New York, New York
June 29, 2015

Hudson River HealthCare, Inc. and Subsidiaries

Consolidated Statement of Financial Position
December 31, 2014

Assets	
Current assets:	
Cash and cash equivalents	$ 33,584,366
Patient services receivable, net (Note 2)	6,078,762
DHHS grants receivable	1,032,784
Contracts and other grants receivable (Note 3)	3,987,170
Meaningful use receivables	578,000
Other receivables (Note 14)	1,162,027
Prepaid expenses and other assets	284,357
Total current assets	46,707,466
Investments (Note 4)	28,052,247
Interest in net assets of Hudson River HealthCare Foundation (Notes 10 and	1,280,830
Property and equipment, net (Note 6)	29,771,578
Security deposits and other (Note 8)	405,678
Debt service reserve (Note 8)	448,418
Long-term loan receivable (Notes 5 and 8)	10,633,600
Deferred compensation (Note 16)	712,939
Total assets	$ 118,012,756
Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	$ 6,328,424
Accrued compensation	4,336,911
Current maturities of long-term debt (Note 8)	280,428
Current maturities of capital lease obligations (Note 9)	408,279
Total current liabilities	11,354,042
Deferred rent	90,637
Long-term debt less current maturities (Note 8)	25,317,092
Capital lease obligations, less current maturities (Note 9)	537,939
Deferred compensation (Note 16)	712,939
Total liabilities	38,012,649
Commitments and contingencies (Notes 12 and 16)	
Net assets:	
Unrestricted	78,719,277
Temporarily restricted	1,280,830
Total net assets	80,000,107
Total liabilities and net assets	$ 118,012,756

See Notes to Consolidated Financial Statements.

Hudson River HealthCare, Inc. and Subsidiaries

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

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Patient services (net of contractual allowances and discounts) (Note 12)	$ 65,459,157		$ 65,459,157
Provision for bad debts	(6,352,118)		(6,352,118)
Net patient services revenue net of provision for bad debts	59,107,039		59,107,039
DHHS grant revenue (Note 11)	13,446,281		13,446,281
Contract services and other grants (Note 13)	14,600,012		14,600,012
Meaningful use incentives	1,024,250		1,024,250
Donated vaccines	2,026,862		2,026,862
Management fees, net	2,112,582		2,112,582
Health home management fees	1,171,740		1,171,740
Unrealized gain on investments	970,632		970,632
Other revenue	1,410,416		1,410,416
Total revenue	95,869,814		95,869,814
Expenses:			
Salaries and related benefits (Note 15)	56,312,111		56,312,111
Other than personnel services	26,284,790		26,284,790
Interest	232,831		232,831
Total expenses	82,829,732		82,829,732
Changes in net assets prior to depreciation and amortization and nonoperating activities	13,040,082		13,040,082
Depreciation and amortization	4,341,682		4,341,682
Changes in net assets prior to nonoperating activities	8,698,400		8,698,400
Nonoperating activities:			
DHHS grant revenue - capital projects (Note 11)	650,045		650,045
Change in interest in Hudson River HealthCare Foundation (Notes 10 and 14)		$ 27,510	27,510
Gain from membership change (Note 14)	6,000,826		6,000,826
Total nonoperating revenue	6,650,871	27,510	6,678,381
Changes in net assets	15,349,271	27,510	15,376,781
Net assets, beginning of year	63,370,006	1,253,320	64,623,326
Net assets, end of year	$ 78,719,277	$ 1,280,830	$ 80,000,107

See Notes to Consolidated Financial Statements.

Hudson River HealthCare, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended December 31, 2014

	Program Services	General and Administrative	Total
Salaries and wages	$ 37,516,488	$ 8,124,031	$ 45,640,519
Fringe benefits	8,756,834	1,914,758	10,671,592
Healthcare consultants	5,041,925	-	5,041,925
Professional fees	3,600,903	1,588,879	5,189,782
Laboratory and radiology	287,319	-	287,319
Consumable supplies	4,268,685	42,170	4,310,855
Donated vaccines	2,026,862	-	2,026,862
Occupancy	4,886,483	141,515	5,027,998
Insurance	358,397	52,489	410,886
Repairs, maintenance and equipment rental	165,644	24,283	189,927
Telephone	1,123,978	167,880	1,291,858
Travel, conferences and meetings	666,134	407,661	1,073,795
Patient transportation	65,652	-	65,652
Dues and subscriptions	197,146	107,080	304,226
Recruitment and public information	288,497	40,462	328,959
Printing and postage	333,559	54,349	387,908
Interest	-	232,831	232,831
Other	168,137	178,701	346,838
Totals	69,752,643	13,077,089	82,829,732
Depreciation and amortization	3,689,976	651,706	4,341,682
Total functional expenses	$ 73,442,619	$ 13,728,795	$ 87,171,414

See Notes to Consolidated Financial Statements.

Hudson River HealthCare, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended December 31, 2014

Cash flows from operating activities:	
Cash received from DHHS services	$ 13,444,439
Cash received from patient services	56,484,907
Cash received from contract services and other grants	14,189,691
Cash received from meaningful use incentives	883,770
Cash received from management fees	2,554,666
Cash received from health home management fees	1,460,641
Cash received from other	1,570,174
Cash paid for interest	(232,831)
Cash paid to employees	(55,309,629)
Cash paid to vendors	(24,295,762)
Net cash provided by operating activities	10,750,066
Cash flows from investing activities:	
Purchase of property and equipment	(9,648,215)
Purchase of investments	(31,903,240)
Proceeds from sale of investments	4,767,478
Issuance of loan receivable	(10,633,600)
Proceeds from membership change	6,000,826
Net cash used in investing activities	(41,416,751)
Cash flows from financing activities:	
Proceeds from line of credit	3,000,000
Payment of line of credit	(3,000,000)
Payment of capital lease obligations	(393,572)
Payment of long-term debt	(637,472)
Proceeds from long-term debt	21,580,000
Receipt of nonoperating DHHS capital grant	133,110
Payments of debt reserve	(448,418)
Net cash provided by financing activities	20,233,648
Net decrease in cash and cash equivalents	(10,433,037)
Cash and cash equivalents, beginning of year	44,017,403
Cash and cash equivalents, end of year	$ 33,584,366
Reconciliation of changes in net assets to net cash provided by operating activities:	
Changes in net assets	$ 15,376,781
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Change in interest in Hudson River HealthCare Foundation	(27,510)
Nonoperating DHHS grant revenue - capital projects	(650,045)
Nonoperating gain on change in membership	(6,000,826)
Unrealized gain on investments	(970,632)
Provision for bad debts	6,352,118
Depreciation and amortization	4,341,682
Deferred rent	90,637
Changes in operating assets and liabilities:	
Patient services receivable	(8,974,250)
DHHS grants receivable	(1,842)
Contracts receivable and other grants	1,032,534
Meaningful use receivables	(140,480)
Other receivables	601,842
Prepaid expenses and other assets	213,642
Security deposits	(53,212)
Accounts payable and accrued expenses	(1,442,855)
Accrued compensation	1,002,482
Net cash provided by operating activities	$ 10,750,066
Supplemental disclosure of noncash investing and financing activity:	
Capital acquisitions funded through capital leases	$ 501,420
Capital acquisitions included in accounts payable and accrued expenses	$ 468,306

See Notes to Consolidated Financial Statements.

Note 1 - Organization and summary of significant accounting policies

Organization

Hudson River HealthCare, Inc. (the "Center" or "HRHC") operates freestanding diagnostic and treatment centers, licensed under Article 28 of the New York State Health Law, located in the Hudson Valley Region and Long Island of New York State. The Center provides a broad range of health services to a largely medically-underserved population. The Center was incorporated as a not-for-profit corporation under the laws of the State of New York (the "State") and is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code (the "Code").

The Center owns 100% controlling financial interest in Community Health Monticello, LLC ("Monticello"). Monticello was formed primarily for the purpose of acquiring and constructing certain real property in Monticello, NY; to finance the acquisition and rehabilitation of real property on an adjacent plot; and to lease property to the Center.

The Center owns 100% controlling financial interest in Solutions 4 Community Health, Inc. ("Solutions"), which is a taxable entity that provides medical billing. Solutions has the authority to issue 1,000 shares of common stock, $.01 par value per share.

The Center owns 100% controlling financial interest in Hudson River Healthcare Local Development Corporation ("Local Development Corp." or "HRLDC"). Local Development Corp. was formed primarily for the purpose of acquiring and reconstructing the DiCola Condominium units B and C into a health center; and to facilitate a new market tax credit transaction for financing this project.

The Center owns 100% controlling financial interest in Hudson River Ventures ("HRV"). HRV is 50% owner in CBHCare IPA LLC. CBHCare IPA LLC is a Behavioral Health/Primary Care partnership with the five (5) largest behavioral health providers in the Hudson Valley. During 2014 HRV did not have significant financial activity.

The U.S. Department of Health and Human Services (the "DHHS") provides substantial 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.

Basis of presentation

The accompanying consolidated financial statements include the Center, and its wholly-owned subsidiaries, Monticello, Local Development Corp., and Solutions. Hudson River HealthCare, Inc. and Subsidiaries are referred to collectively as the "Corporation." All significant intercompany transactions and account balances have been eliminated in consolidation. The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of the consolidated 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.

Cash and cash equivalents
The Corporation maintains its cash and cash equivalents in high-credit, quality bank deposit accounts. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

Classification of net assets
The accompanying consolidated financial statements present information regarding the Center's financial position and activities according to three classes of net assets.

Unrestricted net assets are not externally restricted for identified purposes by donors or grantors. Unrestricted net assets include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Center and an outside party other than a donor or grantor.

Temporarily restricted net assets are those whose use by the Center has been limited by donors to a specific purpose. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are recorded as net assets released from restrictions.

Permanently restricted net assets are net assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes. The Center does not have any permanently restricted net assets.

Concentrations of credit risk
Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents, investments at fair value, patient services receivable, grants receivable, contracts receivable and other receivables. At times during the year, the Corporation's noninterest bearing cash balances may exceed the limits of Federal Deposit Insurance Corporation ("FDIC") insurance coverage. At December 31, 2014, the Corporation's uninsured cash balances totaled $33,554,436. The Corporation monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions.

Patient services receivable credit risk is limited because the receivables are reported at the original charge for the service provided less discounts provided under the Center's charity care policy, less amounts covered by third-party payors and less an estimated allowance for doubtful receivables. The Center estimates doubtful accounts based on historical bad debts, factors related to specific payors' ability to pay and current economic trends. The Center writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

Grants and contracts receivable credit risk is limited due to the nature of the grants and contracts. The Center regularly monitors its grants and contracts receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. The Center considers all grants and contracts as collectible.

Other receivables consist of the Center's receivables from a related party for employee leasing fees and other contracted services (see Note 12) and Solutions' receivables from various customers. Other receivables credit risk is limited due to the Center's relationship with the related party and because Solutions regularly monitors the collection of its customers' payments. The Center and Solutions reduce the receivables by an allowance for doubtful accounts estimated based on historical collection rate, factors related to the payor's ability to pay and current economic trends. The Center and Solutions write off other receivables against the allowance when a balance is determined to be uncollectible.

Investments
Investments are reported at their fair values based on quoted prices in active markets in the consolidated statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains and losses are reported as increases or decreases in unrestricted net assets in the reporting period in which the income and gains and losses are recognized.

The Center's investment transactions are made based on its existing investment policy. The Center invests in a portfolio that contains common shares of publicly traded companies, corporate bonds, government securities, mutual funds and exchange traded funds. Such investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 25 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 Corporation capitalizes all purchases of property and equipment in excess of $1,000 and with a useful life of over one year.

Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in changes in net assets.

Equipment under capital leases is recorded in property and equipment with corresponding obligations carried in short-and long-term liabilities. The amount capitalized is the lower of the present value of the minimum lease payments or the fair value of the leased asset.

Amortization on assets leased under capital leases is recorded on a straight-line basis over the estimated useful life of the asset or the term of the lease, whichever is the lesser.

Construction in progress is recorded at cost. The Center capitalizes construction, insurance and other costs during the period of construction. Depreciation and amortization is recorded when construction is substantially complete and the assets are placed in service.

According to Federal regulations, any property and equipment obtained through Federal funds are subject to a lien by the Federal government. Provided that the Center maintains its tax-exempt status and the property and equipment are used for their intended purpose, the Center is not required to reimburse the Federal government. If the stated requirements are not met, the Center would be obligated to the Federal government in an amount equal to the fair value of the property and equipment.

Impairment of long-lived assets
The Corporation 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 Corporation 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's carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends.

Deferred rent
The Corporation occupies numerous sites under leases containing escalation clauses that require normalization of the rent expense over the life of the lease. The resulting deferred rent is reflected in the accompanying consolidated statement of financial position.

Grants and contracts
Revenue from government grants and contracts designated for use in specific activities is recognized in the period when the expenditures have been incurred in compliance with the grantor's restrictions. Grants and contract awards 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 in the aggregate amount of $14,360,371 that have not been recorded in the accompanying consolidated financial statements, as they have not been earned. These grants and contracts require the Center to provide certain services during specified periods. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts.

Patient services revenue
The Center has agreements with third-party payors that provide for payments to the Center 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 administering agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as determined necessary.

The Center 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 care deducted to arrive at gross self-pay revenue. Contractual allowances are then deducted to arrive at net self-pay patient revenue before provision for bad debts.

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 for which the Center is not reimbursed.

Based on the cost of patient services, approximate charity care and community benefit for the year ended December 31, 2014 amounted to $6.1 million and $14.0 million, respectively.

Contributions
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 changes 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. Conditional contributions are recognized in the period when expenditures have been incurred in compliance with the grantor.

In-kind contributions
In-kind contributions such as donated vaccines and property and equipment are recognized in the accompanying consolidated financial statements based on fair value. For the year ended December 31, 2014, donated vaccines amounted to $2,026,862.

Meaningful use incentives
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 Electronic Health Record ("EHR") technology, (2) use the certified 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 disbursed based on a transitional schedule. The Center's providers have met the criteria and have earned $1,024,250 from the Medicaid incentive program for the year ended December 31, 2014.

Management fees
Management fees represent revenues earned by Solutions from services agreements with its customers. Management fees are recognized as earned.

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

Functional expenses
The cost of providing the various services and other activities has been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been charged to program services or general and administrative based on a combination of specific identification and allocation by management.

Performance indicator
The consolidated statement of activities and changes in net assets includes the changes in net assets prior to nonoperating activities as the performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator include capital grants, change in the Center's interest in the Hudson River HealthCare Foundation (the "Foundation") (see Note 10) and gain from change in membership (see Note 14).

Tax status
The Center and HRLDC were incorporated as not-for-profit corporations under the laws of the State of New York and are exempt from Federal income taxes under Section 501(c)(3) of the Code, as well as from state income taxes. Therefore, there is no provision for income taxes. In addition, the Center is not classified as a private foundation.

Monticello is a for-profit entity with minimal operations for the year and incurred no material tax liability during 2014. Solutions is also a for-profit entity which had no tax liability as of December 31, 2014.

HRV is a for-profit entity with no operations for the year and incurred no material tax liability during 2014.

The Center has no unrecognized tax benefits at December 31, 2014. The Center's and Solutions' Federal and state income tax returns prior to fiscal year 2011 are closed. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.
The Corporation recognizes interest and penalties associated with tax matters as operating expenses and includes accrued interest and penalties with accrued expenses in the consolidated statement of financial position.

Subsequent events
The Corporation has evaluated subsequent events through June 29, 2015, which is the date the consolidated financial statements were available to be issued.

Note 2 - Patient services receivable, net

Patient services receivable, net, consist of the following:

Medicaid	$ 2,944,658
Medicare	196,615
Other third-party payors	213,521
Self-pay	9,474,046
Medicaid managed care plans	828,660
New York State uncompensated care	1,799,948
Total	15,457,448
Less allowance for doubtful accounts	(9,378,686)
Total	$ 6,078,762

Patient services receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of patient services receivable, the Center 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 Center 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). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Center records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates provided by the Center's policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

The Center's allowance for doubtful accounts for self-pay patients was 99 percent of self-pay patient services receivable at December 31, 2014. In addition, the Center's self-pay write-offs were approximately $3 million for fiscal year 2014. The Center has not changed its charity care or uninsured discount policies during fiscal year 2014. The Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Note 3 - Contracts and other grants receivable

New York State Department of Health:	
Community-Based Adolescent Pregnancy Prevention	$ 54,823
Family Planning Program	100,539
Aids Institute - Hepatitis C	33,997
Women, Infants, and Children Program	233,299
AIDS Institute – Supportive Service or HIV Primary Care Services	25,958
Preventive Dental	15,702
NYS Migrant and Seasonal Farmworkers	67,182
Cancer Screening	16,663
NYS Rural Healthcare Network	91,573
Westchester County Department of Health:	
Ryan White Part A Medical Case Management	27,822
Westchester County Department of Social Services:	
Early Intervention Program	173,420
National Association of Community Health Centers:	
AmeriCorps Program	67,379
Albany Medical Center:	
Ryan White Title IV	10,697
Suffolk County Department of Health Services	
Community Benefit Grants	1,903,207
Suffolk County Family Planning	71,468

Suffolk County HIV	132,880
Orange County Department of Mental Health	10,073
Vassar Brothers Hospital	500,000
CHCANYS Northeast Migrant Stream Coordinator	24,826
St. John's Community Benefit Grant	172,500
Catskill Regional Medical Center	15,500
Other	237,662
Total	$3,987,170

Note 4 - Investments and fair value measurements

A summary of investments for the Center as of December 31, 2014 is as follows:

	Cost	Net Unrealized Gains (Losses)	Fair Value
Cash and money funds	$ 622,714	$ -	$ 622,714
Corporate bonds	3,246,896	6,022	3,252,918
Equities	11,402,095	765,755	12,167,850
Exchange traded funds	4,261,979	146,773	4,408,752
Government securities	5,916,387	82,536	5,998,923
Mutual funds/closed end funds	1,631,544	(30,454)	1,601,090
Totals	$ 27,081,615	$ 970,632	$ 28,052,247

Interest and dividend income earned on investments for the year ended December 31, 2014 was $331,929.

The Center values its financial assets on a recurring basis based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets. The fair value hierarchy gives the highest priority to Level 1 inputs.

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

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. The following is a description of the valuation methodology used for investments at fair value. There have been no changes in the methodologies used during the year ended December 31, 2014.

Investments in corporate bonds and government securities are valued using similar assets in active markets.

Investments in equities, exchange traded funds, and mutual funds are valued using market prices on similar active markets and valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center 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.

The following table sets forth by level, within the fair value hierarchy, the Center's investments as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
Corporate Bonds				
Rated A1		$ 151,071		$ 151,071
Rated A2		544,407		544,407
Rated A3		363,793		363,793
Rated Aa1		189,359		189,359
Rated Aa2		128,509		128,509
Rated Baa1		903,100		903,100
Rated Baa2		696,229		696,229
Rated Baa3		136,307		136,307
Rated WR		140,143		140,143
Subtotals		3,252,918		3,252,918
Equities				
Basic materials	$ 570,680			$ 570,680
Communications	1,822,412			1,822,412
Consumer, cyclical	1,563,518			1,563,518
Consumer, non-cyclical	3,106,686			3,106,686
Diversified	42,429			42,429
Energy	555,116			555,116
Financial	1,598,408			1,598,408
Industrial	1,276,072			1,276,072

	Level 1	Level 2	Level 3	Total
Technology	1,484,659			1,484,659
Utilities	147,870			147,870
Subtotal	12,167,850			12,167,850
Exchange Traded Funds				
Growth & income large cap	612,300			612,300
Internal equity	827,678			827,678
Growth-large cap	748,998			748,998
Growth-small cap	283,365			283,365
Value-small cap	293,512			293,512
Growth & income	893,050			893,050
Value-large cap	749,849			749,849
Subtotal	4,408,752			4,408,752
Government Securities				
Government		3,767,829		3,767,829
Mortgage Securities		2,231,094		2,231,094
Subtotal		5,998,923		5,998,923
Mutual Fund/Close End Fund	1,601,090			1,601,090
Totals	$ 18,177,692	$9,251,841	$ -	$ 27,429,533

Included in the investments in the consolidated statement of financial position is cash and money funds amounting to $622,714.

The Center's policy is to recognize transfers into and transfers out of a level as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers among the three levels in 2014.

Investments are restricted for non-operating purposes and are classified as non-current in the consolidated statement of financial position.

Note 5 - Loan receivable

As a result of the New Market Tax Credit ("NMTC") financing structure described in Note 8, the Center is the holder of a promissory note with Twain Investment Fund 16, LLC (the "Investment Fund") effective December 2, 2014 for the face value of $10,633,600. This note bears interest at a fixed rate of 1% per annum and is due in interest-only payments, payable in arrears in quarterly installments commencing on March 7, 2015 and in successive quarterly installments through December 7, 2021. The unpaid principal balance of this note will bear additional interest at a fixed rate of 1% per annum, which compounds quarterly from commencement of the note and through the date of maturity on September 1, 2043 and is payable from and after the end of the interest only period until maturity in successive quarterly installments. Accrued interest receivable in the amount of $8,862, which is due after the end of the interest only period is included in other receivables

on the consolidated statement of financial position. Interest income for the year ended December 31, 2014 totaled $8,862.

Note 6 - Property and equipment

The components of property and equipment are as follows:

Land	$ 654,440
Building and improvements	17,952,672
Furniture and equipment	22,726,696
Leasehold improvements	10,786,536
Total	52,120,344
Less accumulated depreciation and amortization	(26,621,906)
Total	25,498,438
Construction in progress	4,273,140
Total	$ 29,771,578

In the event DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to PHS or third parties.

No depreciation has been provided on assets classified as construction in progress as these assets have not yet been placed in service.

In 2014, the Center capitalized interest expense amounting to $77,827 as part of construction in progress.

Depreciation and amortization expense amounted to $4,341,682 for the year ended December 31, 2014.

Note 7 - Line of credit

The Center has an available revolving line of credit in the amount of $5,000,000, which is due and payable by November 5, 2015, the date the agreement expires. The line of credit is secured by all of the Center's assets. This agreement requires interest to be charged at the bank's prime rate (3.25% at December 31, 2014) plus 0.5%. There is no balance due as of December 31, 2014.

Note 8 - Long-term debt

Long-term debt consists of the following:

Renovation loan payable - $600,000 face amount, maturing on January 1, 2021, payable in equal monthly installments of $5,002, including interest per annum at 5.50%. The loan is secured by the related properties which have a carrying value of $771,009 as of December 31, 2014.	$ 332,828

Mortgage payable - $1,600,000 face amount, maturing on January 1, 2021, payable in equal monthly installments of $13,698, including interest at 5.50% per annum. The loan is secured by the related properties which have a carrying value of $771,009 as of December 31, 2014.	$ 844,480
Mortgage payable under Monticello's NMTC financing agreement - $2,850,000 face amount, maturing on July 1, 2035, payable in equal monthly installments of $11,329, which shall be applied entirely to interest beginning July 1, 2010 at a variable interest rate which, as of December 31, 2014 was at 4.77%. On July 1, 2017, the loan converts to an amortizing loan. The loan is secured by related properties owned or hereafter acquired by Monticello. As of December 31, 2014, those properties consisted of property and equipment and security deposits with a carrying value of $2,481,948.	2,850,000
Promissory Note under the Center's NMTC financing agreement - $1,000,000 face amount, maturing on December 2, 2021, payable in equal monthly installments including interest at 5.5% commencing on January 1, 2015 and continuing on the first business day of each month, thereafter through and including the maturity date the Center shall make payments of principal and interest on a level payment basis over the term of the note. The note is secured by a security interest in and to the accounts, chattels, and intangibles, whether now owned or hereafter acquired.	990,213
Promissory Note under the Center's NMTC financing agreement - $5,000,000 face amount, maturing on December 2, 2021, payable in equal monthly installments of which shall be applied entirely to interest beginning January 1, 2015 through and including May 1, 2016 at an interest rate of 5.75%. On June 1, 2016, and continuing the first business day of each month thereafter through and including the maturity date, the Center shall make payments of principal and interest on a level payment basis over a period of 25 years from January 1, 2017. The note is secured by a security interest in and to the accounts, chattels, and intangibles, whether now owned or hereafter acquired.	5,000,000
Promissory Note A under the HRLDC's NMTC financing agreement - $1,914,345 face amount, maturing on December 1, 2049 bearing interest at 1.268% per annum; quarterly interest payments shall be made every year beginning March 1, 2015 through December 1, 2021. Commencing on March 1, 2022 through December 1, 2049 the Center shall make payments in arrears of principal and interest in an amount sufficient to amortize the outstanding principal amount together with accrued interest over the remaining term of the note on a level payment basis. The loan is	

secured by a certain mortgage, assignment of leases and rents, security agreement and fixture filing (acquisition of loan) encumbering the premises.	$ 1,914,345
Promissory Note B under the HRLDC's NMTC financing agreement - $4,650,681 face amount, maturing on December 1, 2049 bearing interest at 1.268% per annum; quarterly interest payments shall be made every year beginning March 1, 2015 through December 1, 2021. Commencing on March 1, 2022 through December 1, 2049 the Center shall make payments in arrears of principal and interest in an amount sufficient to amortize the outstanding principal amount together with accrued interest over the remaining term of the note on a level payment basis. The loan is secured by a certain mortgage, assignment of leases and rents, security agreement and fixture filing (acquisition of loan) encumbering the premises.	4,650,680
Promissory Note C under the HRLDC's NMTC financing agreement - $3,134,974 face amount, maturing on December 1, 2049 bearing interest at 1.268% per annum; quarterly interest payments shall be made every year starting March 1, 2015 through December 1, 2021. Commencing on March 1, 2022 through December 1, 2049 the Center shall make payments in arrears of principal and interest in an amount sufficient to amortize the outstanding principal amount together with accrued interest over the remaining term of the note on a level payment basis. The loan is secured by a certain mortgage, assignment of leases and rents, security agreement and fixture filing (acquisition of loan) encumbering the premises.	3,134,974
Promissory Note D under the HRLDC's NMTC financing agreement - $5,880,000 face amount, maturing on December 1, 2049 bearing interest at 1.268% per annum; quarterly interest payments shall be made every year starting March 1, 2015 through December 1, 2021. During the period commencing on December 1, 2021, and ending on December 1, 2049, accrued and unpaid interest and principal shall be payable in arrears in successive quarterly installments on each March 1, June 1, September 1, and December 1, calculated based on a 336-month amortization schedule with the first payment due on March 1, 2022. The loan is secured by a certain mortgage, assignment of leases and rents, security agreement and fixture filing (acquisition of loan) encumbering the premises.	5,880,000
Total	25,597,520
Less current portion	(280,428)
Long-term debt	$ 25,317,092

Future maturities of long-term debt in each of the five years subsequent to December 31, 2014 and thereafter are as follows:

Year ending December 31,	Amount
2015	$ 280,428
2016	347,302
2017	412,103
2018	477,451
2019	564,432
Thereafter	23,515,804
Total	$ 25,597,520

The Corporation is required to comply with certain covenants under its renovation loans payable, mortgage payable and line of credit.

On June 30, 2010, Monticello entered into a NMTC financing agreement with various entities for the purpose of receiving financing to acquire an existing facility as well as to construct a new facility. The NMTC structure consists of NMTC investors and other lenders that provide qualified equity investments ("QEI") to designated community development entities ("CDEs"), who, in turn, provide debt financing to qualified active low income community businesses ("QALICB"). A NMTC program permits taxpayers, who have made quality equity investments in CDEs, to receive a credit against their Federal income taxes.

HSBC Bank USA, National Association ("Leverage Lender") is the Sole Member in Primary Care Investment Fund LLC which is an Investment Fund. The Leverage Lender made a loan in an amount of $2,078,125 and equity investment of $890,625 to the Investment Fund. The Investment Fund used the combined proceeds of the Leverage Loan and the Fund Equity Investment to make a QEI in the amount of $2,968,750 in a CDE called PCDC Empire State Health Opportunities Fund I LLC ("PCDC"). The CDE in turn, used substantially all of the funds provided by the QEI to make a loan to Monticello in the amount of $2,850,000 for the qualified purpose of both acquiring and constructing a community health center in a low income area, as required by the terms of the agreements.

Monticello entered into one note in the amount of $2,850,000, with PCDC, with a maturity date of July 1, 2035 and interest at 4.77% per annum. Accrued and unpaid interest is due and payable in arrears in successive monthly payments beginning on August 1, 2010 and continuing through July 1, 2017. Thereafter, principal and interest payments of an aggregate amount of $11,329 will be due and payable in successive monthly installments beginning on August 1, 2017 through maturity. This loan is recorded under long-term debt in the consolidated statement of financial position.

This structure will stay in effect for a period of 7 years, until July 1, 2017 when the NMTC period expires. Built within the agreements are put and call options for Monticello to acquire 100% of the Investment Fund at a purchase price in an amount equal to the sum of $1,000,

any transfer taxes or other closing costs paid or payable by the Investment Fund attributable to the exercise of the put option and/or sale of the Investment Fund's interest and any amounts then due and owing from Monticello to the Investment Fund.

The Center has leased the project sites from Monticello for the operation of a primary care center and in turn subleased the project sites to Sullivan County Industrial Development Agency ("Agency"). The Agency has further sub-subleased the site back to the Center. The Center and PCDC have entered into a Guaranty of Payment agreement as of June 30, 2010 whereby the Center has guaranteed to PCDC prompt and full payment, whether at maturity or by acceleration or otherwise, of Monticello's obligations to pay all amounts due in respect of the promissory note.

As a requirement of the NMTC financing agreement, the Center established an interest-bearing debt service reserve fund to be used solely for the purpose of paying any fees associated with maintaining the debt service reserve fund and to remedy any defaults in payments. The debt service reserve fund balance was $118,106 as of December 31, 2014, and is included in security deposits and other in the consolidated statement of financial position.

On July 22, 2014, HRLDC was incorporated as a not-for-profit corporation under the laws of the State of New York (the "State") and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). On December 2, 2014 (the "closing date"), HRLDC entered into a NMTC financing agreement with various entities for the purpose of receiving financing to renovate and expand Hudson River Healthcare's ("HRHC's") flagship health center in Peekskill, NY (the "Qualified Purpose") in the following premises: (a) 1037 Main Street, Peekskill NY; (b) 1031 Main Street, Peekskill, NY, (c) 55 Bank Street Peekskill, NY (the "Property"). The NMTC structure consists of NMTC investors and other lenders that provide qualified equity investments ("QEI") to designated community development entities ("CDEs"), who, in turn, provide debt financing to qualified active low income community businesses ("QALICB"). A NMTC program permits taxpayers, who have made quality equity investments in CDEs, to receive a credit against their Federal income taxes.

On December 2, 2014, Primary Care Development Corporation ("PCDC") as lead lender, along with Low Income Investment Fund ("LIIF") and The Reinvestment Fund ("TRF") made two 7-year term loans to HRHC (the "Leverage Lender") amounting to $5,000,000 and $1,000,000. The $5,000,000 loan bears interest of 5.75%. The $1,000,000 loan bears an interest of 5.5%. Both loans are collateralized by a pari-passu share in mortgage on HRHC's lease of the Property and a pari-passu share in the assignment of HRHC's leverage loan documents including pledge of HRHC's investment fund membership interest in the entities that will be making the permanent financing loan to HRLDC. HRHC shall pay a commitment fee of 1.5% of the amounts of the two loans or $90,000. For the $5,000,000 loan, HRHC is required to fund a debt service reserve account to be held by PCDC in an interest-bearing account in an amount equal to 4 months' debt service based on monthly principal and interest payments. As of December 31, 2014, the debt service reserve account amounted to $125,821.

On December 2, 2014, HRHC made a loan (the "Leverage Loan") to Twain Investment Fund 16, LLC (the "Investment Fund") amounting to $10,633,600 with a maturity date of September 1, 2043, bearing interest rate of 1%. Meanwhile, pursuant to an operating agreement, NMTC investor US Bancorp Community Development Corporation ("USBCDC") made a capital contribution (the "Fund Equity Investment") to the Investment Fund amounting to $7,109,325, $1,702,925 of which represents bridge equity. The Investment Fund used the combined proceeds of the Leverage Loan and the Fund Equity Investment to make a QEI into two CDEs: PCDC Empire State Health Opportunities Fund IV LLC (the "PCDC CDE") and Impact CDE 48, LLC (the "Capital Impact CDE") amounting to $10 million and $6 million, respectively, in exchange for a 99.99% ownership in each CDE. The CDEs used substantially all of the funds provided by the QEI to make four separate loans to HRLDC for the abovementioned qualified purpose as required by the terms of the agreement and are identified on pages 20 and 21 as Promissory Note A, Promissory Note B, Promissory Note C, and Promissory Note D.

This structure will stay in effect for a period of 7 years, until December 1, 2021 when the NMTC period expires. Built within the agreements is a put option for the USBCDC to sell 100% of its ownership of the Investment Fund at a purchase price in an amount equal to the sum of $1,000 to HRHC. If USBCDC exercises the put option, HRHC will then become owner of the Investment Fund and will then indirectly own $15,580,000 worth of QLICI notes to HRLDC. HRHC may forgive such debt with no tax consequences to itself and HRLDC because they are both tax exempt entities. At the time of the NMTC compliance period, HRHC will have $4,420,000 of outstanding PCDC loan.

The Center has entered into a Guaranty of Payment, Performance, and Completion agreement with PCDC CDE and Capital Impact CDE and have guaranteed payment and performance of all obligations (except for payment of principal under the loan) and the completion of the improvements that will make the project free of any mechanics liens or other liens for the provision of labor, materials, or other goods or services to the project.

Accrued interest payable in the amount of $16,280 as of December 31, 2014 is included in accounts payable and accrued expenses on the consolidated statement of financial position.

As a requirement of the NMTC financing agreement, the Center established interest-bearing fee reserve accounts related to CDE expenses arising under the notes listed above, which are included in debt service reserve funds on the consolidated statement of financial position. The debt service funds balance related to this NMTC financing agreement amounted to $204,491 as of December 31, 2014.

The notes are secured by the assignment of leases and rents and security agreements issued by the Center for the benefit of the lenders.

Note 9 - Capital lease obligations

The following is a summary of equipment held under capital leases:

Equipment	$ 1,911,301
Less accumulated amortization	(925,566)
Total	$ 985,735

The Center was liable under terms of capital lease obligations for the following minimum lease payments:

Year ending December 31,	Amount
2015	$ 408,279
2016	297,122
2017	164,143
2018	140,743
2019	31,962
Total minimum lease payments	1,042,249
Less amount representing interest	(96,031)
Present value of net minimum lease payments	946,218
Less current maturities of capital lease obligations	(408,279)
Capital lease obligations, less current maturities	$ 537,939

Note 10 - Interest in net assets of Hudson River HealthCare Foundation

Amounts reported in the consolidated statement of financial position include interest in the net assets of the Foundation and temporarily restricted net assets represent monies raised by the Foundation on behalf of the Center. The interest is adjusted annually to reflect the changes in the net assets of the Foundation. The Foundation has no variance power over the funds, which will be distributed upon request by the Center. During the year ended December 31, 2014, the net assets of the Foundation increased by $27,510, which has been recorded in the consolidated statement of activities and changes in net assets. As of December 31, 2014, the Center's interest in the net assets of the Foundation amounted to $1,280,830.

Note 11 - DHHS grants

For the year ended December 31, 2014, the Center recognized grant revenue from the DHHS as follows:

Grant Number	Grant Period	Total Grant	Operating Revenue	Nonoperating Revenue	Total
6 H80CS00313-12-19	2/1/13 - 1/31/14	$ 12,583,057	$ 2,352,063	$ 150,000	$ 2,502,063
6 H80CS00313-13-16	2/1/14 - 1/31/15	12,787,584	10,984,470	-	10,984,470
6 C8ACS23713-01-03	5/1/12 – 4/30/15	4,500,000	-	366,935	366,935
1 C8BCS23879-01-02	5/1/12 – 4/30/14	420,000	-	133,110	133,110
5 H76HA00029-23-00	7/1/13 – 4/30/14	771,646	308,658	-	308,658
5 H76HA00029-24-00	5/1/14 – 4/30/15	925,975	617,320	-	617,320
			14,262,511	650,045	14,912,556
Less subgrant passed through to other organizations			(816,230)	-	(816,230)
Totals			$ 13,446,281	$ 650,045	$ 14,096,326

The nonoperating revenue represents capital grants.

Note 12 - Patient services, net

The Center recognizes patient services revenue associated with services provided to patients who have Medicaid, Medicare, Third Party Payor and Managed Care plans coverage on the basis of contractual rates for services rendered. 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 the Center's policy. Charity care services are computed using a sliding fee scale based on patient income and family size. 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 provision for bad debts related to uninsured patients in the period the services are provided. Patient services revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

Medicaid	$ 9,476,612
Medicare	3,263,729
Medicaid managed care	18,949,114
Other third party payors	2,682,004
Self pay	8,389,946
New York State uncompensated care	7,732,789
New York State Medicaid managed care wraparound	14,964,963
Total	$65,459,157

Medicaid and Medicare revenue is reimbursed to the Center 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 13 - Contract services and other grants

For the year ended December 31, 2014, contract services and other grants revenues consist of the following:

NYS Department of Health:	
CAPP	$ 409,538
Family Planning	789,516
Hepatitis C	226,030
Migrant Health	71,290
Migrant Discretionary	167,100
Migrant & Seasonal Farmworkers	67,182
Preventive Dental	54,547
WIC Program	1,226,658
HIV Primary Care	223,590
HIV Supportive Services	164,644
Health Home	451,765
Cancer Screening	109,363
County of Suffolk Department of Health Services	
Suffolk County Family Plan	71,468
Suffolk County HIV	132,880
Suffolk County Community Benefit Grant	5,091,852
Suffolk County Rent	832,485
Refuah Health Center, Inc.	250,000
Rural Health Network	202,760
Westchester County Department of Health:	
Ryan White Part A Adherence	151,775
Westchester County Youth Bureau:	
Early Intervention	884,709
Dutchess County Department of Health:	
Ryan White Part A Medical Case Management	48,334
National Association of Community Health Centers:	157,609
Americorps	
Albany Medical College:	
Ryan White Title IV	45,321
CHCANYS Migrant Stream Coordinator	92,053
Health Research Incorporated:	
New York State Diabetes Time to Treat	39,195
Vassar Brothers Community Benefit Grant	750,000
Catskill Regional Medical Center	186,000
Vassar Brothers Hospital	50,000
Catskill Regional Medical Center	230,000
St. John's Community Benefit Grant	
Other grants:	
Westchester Medical Center Residency	30,000
MISN Westchester County & Rockland County	20,616
FCH Dover Dental	48,754
Stony Brook Foundation	326,380
Southampton Hospital	541,722
Other grants	454,876
Total	$ 14,600,012

Note 14 - Related party transactions

The Center is affiliated with the Foundation through minority board membership. The Foundation's administration operates out of the Center's office. As of December 31, 2014, the Foundation owed $53,000 to the Center, which is included in other receivables in the consolidated statement of financial position.

The Center and the Foundation are financially interrelated organizations. Accordingly, the Center records as an asset its interest in the net assets of the Foundation, exclusive of any assets over which the Foundation is granted variance power (See Note 10). As of December 31, 2014, there are no assets over which the Foundation has been granted variance power.

The Center is affiliated with Hudson Information Technology for Community Health, Inc. ("HITCH") through minority board membership. As an affiliate, the Center has entered into a memorandum of agreement with the other partners under which, the Center may have to advance certain amounts to HITCH. In 2014, the Center's advance is a total amount of $44,035 to HITCH which is recorded as part of other receivables in the consolidated statement of financial position. Furthermore, as stipulated in the memorandum of agreement, the Center made contributions to HITCH amounting to $49,850 and financed the purchase of fixed assets in the amount of $19,088 during the year 2014; these transactions are reported under professional fees in the consolidated statement of functional expenses.

Effective May 9, 2013, the Center signed a Membership Change Agreement which enabled the Center to terminate its corporate membership in Hudson Health Plan, Inc. ("HHP"). Under the terms of the agreement, another health plan became the sole corporate member of HHP and as consideration, paid an initial purchase price to the exiting corporate members in 2013, one of which is the Center. In 2014, the Center received and recognized an additional gain on change in membership in HHP of approximately $6 million as a result of certain conditions under the terms of the agreement, which is recorded as nonoperating revenue in the consolidated statement of activities and changes in net assets.

On June 27, 2013, the Center entered into an operating agreement by virtue of which it became the third member of FamilyHealth ACO, LLC ("ACO"), a limited liability company. In 2014, the Center made contributions to ACO in the amount of $42,480. These costs are not capitalized as there is no agreement that defines the payments as capital contributions to the ACO.

HRLDC paid HRHC an amount of $2,607,551 as reimbursement for costs incurred by HRHC on behalf of the HRLDC.

On December 2, 2014, HRLDC entered into an operating lease agreement with HRHC for the lease of the Property. Under the agreement, HRHC shall pay base rent on a quarterly basis every March 1, June 1, September 1, and December 1 commencing in March 2016 through December 2044. The base rent amounts to as follows: $185,200 for 2016; $202,000 from 2017 to 2021; $504,000 for 2022; and $684,000 from 2023 to 2044.

On December 2, 2014, HRLDC entered into an equipment lease agreement with HRHC for the lease of certain equipment. Under the agreement, HRHC shall pay $3,000 on a quarterly basis every March 1, June 1, September 1 and December 1 commencing on March 1, 2016 through January 1, 2022.

Note 15 - Pension plan

The Center maintains 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. Pension expense amounted to $2,069,446 for the year ended December 31, 2014.

Approximately 5% of the Center's employees participate in the 1199 SEIU Health Care Employees Pension Fund, with Employer Identification Number ("EIN") 133604862 plan number 001. The Center's contribution to the plan is based on a percentage of salary for each eligible employee. This percentage was 11.25% for 2014. Contributions, which are based on varying rates for the hours worked by the employees, totaled $189,181 for the year ended December 31, 2014. The Center is only required to pay the aforementioned contribution for the duration of the collective bargaining agreement which will expire on September 30, 2018. The Center is not required to pay a surcharge to the plan in 2014.

Government regulations impose certain requirements relative to multi-employer plans. If the Center were to terminate its participation in the multi-employer plan and withdraw from such plan, it could result in the Center having an obligation to the plan for a portion of any unfunded benefit obligation. As of December 31, 2014, the plan's administrator reported that the plan was in the green Pension Protection zone status. Furthermore, as of the January 1, 2014 valuation date, the plan was 90.7% funded based on actuarially-determined plan asset values and 83.90% funded based on unaudited fair market value of the plan assets. The plan pension officer stated that the plan was neither in the endangered status nor in critical status in the 2014 plan year, and that the plan has not adopted a funding improvement plan or a rehabilitation plan as of December 31, 2014.

The Center does not anticipate withdrawal from the plan, nor is the Center aware of any expected plan termination.

Note 16 - Commitments and contingencies

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

The Center leases space under noncancelable operating leases. Rent expense for the year ended December 31, 2014 amounted to $2,355,291. Facilities leased under noncancelable operating leases require future minimum payments as follows:

Year ending December 31,	Amount
2015	$ 1,874,168
2016	1,736,925
2017	1,101,389
2018	734,966
2019	969,246
Thereafter	1,122,691
Total	$ 7,539,385

The Center has executed a deferred compensation agreement with a key employee, which requires future annual contributions totaling approximately $43,000 per year. Investments in these accounts, including any gains or losses, remain subject to the creditors of the Center until they are distributed upon termination of employment as defined in the agreement. The investment consists of the cash surrender value of a life insurance policy.

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 Center maintains gap insurance for claims that are not covered by FTCA.

Hudson River HealthCare, Inc. and Subsidiaries

Consolidating Statement of Financial Position
December 31, 2014

Assets	Hudson River HealthCare, Inc.	Community Health Monticello, LLC	Solutions 4 Community Health, Inc.	Local Develop Corp.	Eliminations	Total Consolidated
Current assets:						
Cash and cash equivalents	$ 21,039,945	$ 11,329	$ 741,841	$ 11,791,251	$ -	$ 33,584,366
Patient services receivable, net	6,078,762	-	-	-	-	6,078,762
DHHS grants receivable	1,032,784	-	-	-	-	1,032,784
Contracts and other grants receivable	3,987,170	-	-	-	-	3,987,170
Meaningful use receivables	578,000	-	-	-	-	578,000
Due from affiliate	1,705,644	-	-	-	$ (1,705,644)	-
Other receivables	296,259	-	865,768	-	-	1,162,027
Prepaid expenses and other assets	295,686	-	-	-	(11,329)	284,357
Total current assets	35,014,250	11,329	1,607,609	11,791,251	(1,716,973)	46,707,466
Investments	28,052,247	-	-	-	-	28,052,247
Interest in net assets of:						
Hudson River HealthCare Foundation	1,280,830	-	-	-	-	1,280,830
Hudson River HealthCare Local Development Corporation	954,857	-	-	-	(954,857)	-
Property and equipment, net	22,396,921	2,352,513	40,857	4,981,287		29,771,578
Security deposits and other	405,678	-	-	-	-	405,678
Debt service reserve	125,821	118,106	-	204,491	-	448,418
Long-term loans receivable	10,633,600	-	-	-	-	10,633,600
Deferred compensation	712,939	-	-	-	-	712,939
Totals	$ 99,577,143	$ 2,481,948	$ 1,648,466	$ 16,977,029	$ (2,671,830)	$ 118,012,756
Liabilities, Net Assets and Equity (Deficiency)						
Current liabilities:						
Accounts payable and accrued expenses	$ 5,856,880	$ 11,329	$ 29,372	$ 442,172	$ (11,329)	$ 6,328,424
Accrued compensation	4,334,584	-	2,327	-	-	4,336,911
Due to affiliate	-	-	1,705,644	-	(1,705,644)	-
Current maturities of long-term debt	280,428	-	-	-	-	280,428
Current maturities of capital lease obligations	408,279					408,279
Total current liabilities	10,880,171	11,329	1,737,343	442,172	(1,716,973)	11,354,042
Deferred rent	90,637	-	-	-	-	90,637
Long-term debt less current maturities	6,887,092	2,850,000	-	15,580,000	-	25,317,092
Capital lease obligations, less current maturities	537,939	-	-	-	-	537,939
Deferred compensation	712,939	-	-	-	-	712,939
Other liabilities	468,258				(468,258)	-
Total liabilities	19,577,036	2,861,329	1,737,343	16,022,172	(2,185,231)	38,012,649
Net assets:						
Unrestricted	78,719,277	-	-	-	-	78,719,277
Temporarily restricted	1,280,830	-	-	-	-	1,280,830
Total net assets	80,000,107	-	-	-	-	80,000,107
Equity (deficiency):						
Member's deficiency	-	(379,381)	-	-	379,381	-
Common stock	-	-	10	-	(10)	-
Accumulated deficit	-	-	(88,887)	-	88,887	-
Total equity (deficiency)	-	(379,381)	(88,877)	-	468,258	-
Members capital from Hudson River HealthCare, Inc.	-	-	-	954,857	(954,857)	-
Total net assets and equity (deficiency)	80,000,107	(379,381)	(88,877)	954,857	(486,599)	80,000,107
Totals	$ 99,577,143	$ 2,481,948	$ 1,648,466	$ 16,977,029	$ (2,671,830)	$ 118,012,756

See Independent Auditor's Report.

Hudson River HealthCare, Inc. and Subsidiaries

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

	Hudson River HealthCare, Inc.							
	Unrestricted	Temporarily Restricted	Total	Community Health Monticello, LLC	Solutions 4 Community Health, Inc.	Local Development Corp.	Eliminations	Total Consolidated
Revenue:								
Patient services (net of contractual allowances and discounts)	$ 65,459,157		$ 65,459,157					$ 65,459,157
Provision for bad debts	(6,352,118)		(6,352,118)					(6,352,118)
Net patient services revenue net of provision for bad debt	59,107,039		59,107,039					59,107,039
DHHS grant revenue	13,446,281		13,446,281					13,446,281
Contract services and other grants	14,600,012		14,600,012					14,600,012
Meaningful use incentives	1,024,250		1,024,250					1,024,250
Donated vaccines	2,026,862		2,026,862					2,026,862
Management fees (net of provision for bad debts of $97,367)					$ 2,112,582			2,112,582
Health home management fees	1,171,740		1,171,740					1,171,740
Unrealized gain on investments	970,632		970,632					970,632
Other revenue	3,213,891		3,213,891	$ 144,127			$ (1,947,602)	1,410,416
Total revenue	95,560,707		95,560,707	144,127	2,112,582	-	(1,947,602)	95,869,814
Expenses:								
Salaries and related benefits	56,293,580		56,293,580		18,531	-		56,312,111
Other than personnel services	26,264,656		26,264,656	8,183	2,072,107	-	(2,060,156)	26,284,790
Interest	96,566		96,566	135,945		$ 320		232,831
Total expenses	82,654,802		82,654,802	144,128	2,090,638	320	(2,060,156)	82,829,732
Changes in net assets prior to depreciation and amortization and nonoperating activities	12,905,905		12,905,905	(1)	21,944	(320)	112,554	13,040,082
Depreciation and amortization	4,207,505		4,207,505	104,643	29,534	-		4,341,682
Changes in net assets prior to nonoperating activities	8,698,400		8,698,400	(104,644)	(7,590)	(320)	112,554	8,698,400
Nonoperating activities:								
DHHS grant revenue - capital projects	650,045		650,045					650,045
Change in interest in Hudson River HealthCare Foundation		$ 27,510	27,510					- 27,510
Gain from membership change	6,000,826		6,000,826					6,000,826
Total nonoperating revenue	6,650,871	27,510	6,678,381					6,678,381
Changes in net assets	$ 15,349,271	$ 27,510	$ 15,376,781	$ (104,644)	$ (7,590)	$ (320)	$ 112,554	$ 15,376,781
Net assets and equity:								
Net assets (deficiency), beginning of year	$ 63,370,006	$ 1,253,320	$ 64,623,326	$ (274,737)	$ (81,287)	$ -	$ 356,024	$ 64,623,326
Changes in net assets	15,349,271	27,510	15,376,781	(104,644)	(7,590)	(320)	112,554	15,376,781
Net assets (deficiency), end of year	78,719,277	1,280,830	80,000,107	(379,381)	(88,877)	(320)	468,578	80,000,107
Member's capital from Hudson River HealthCare, Inc.						955,177	(955,177)	-
Net assets (deficiency) and equity, end of year	$ 78,719,277	$ 1,280,830	$ 80,000,107	$ (379,381)	$ (88,877)	$ 954,857	$ (486,599)	$ 80,000,107

See Inidependent Auditor's Report.

Hudson River HealthCare, Inc. and Subsidiaries

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA	Pass-Through	Total Expenditures
U.S. Department of Health and Human Services:			
Direct Programs:			
Health Centers Cluster:			
Consolidated Health Centers	93.224	N/A	$ 4,563,977
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527	N/A	8,922,556
Sub-total: Consolidated Health Center Cluster			13,486,533
Passed through Refuah Health Center, Inc:			
Health Centers Cluster:			
Consolidated Health Centers	93.224	Not available	142,144
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527	Not available	107,856
Sub-total: Consolidated Health Center Cluster			250,000
Total Health Centers Cluster			13,736,533
Direct Programs:			
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	Not available	500,045
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	Not available	925,978
Passed through County of Suffolk Department of Health Services:			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	001-4114-4980-00-0001	132,880
Total 93.918			1,058,858
Passed through New York State Department of Health:			
Maternal and Child Health Services Block Grant to the States	93.994	C-022998	13,884
Maternal and Child Health Services Block Grant to the States	93.994	C-027025	394,758
Maternal and Child Health Services Block Grant to the States	93.994	C-023823	37,598
Maternal and Child Health Services Block Grant to the States	93.994	C-027522	54,547
Maternal and Child Health Services Block Grant to the States	93.994	C-030203	67,182
Total 93.994			567,969
Preventive Health and Health Services Block Grant	93.991	C-022998	42,506
Immunization Cluster: Immunization Cooperative Agreements	93.268	C-022998	15,472
Medicaid Cluster: Medical Assistance Program	93.778	C-026976	204,769
Passed through Institute for Family Health:			
Medicaid Cluster: Medical Assistance Program	93.778	Not Available	3,253
Passed through Maternal Infant Health Initiative - Westchester and Rockland County			
Medicaid Cluster: Medical Assistance Program (Medicaid)	93.778	Not Available	10,308
Passed through Maternal Infant Services Network of Orange, Sullivan and Ulster Counties			
Medicaid Cluster: Medical Assistance Program (Medicaid)	93.778	C-028963	26,959
Total 93.778			245,289
Passed through County of Suffolk Department of Health Services:			
Family Planning Services	93.217	C-027057	71,468
Passed through Open Door Family Medical Center:			
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	3U58DP003879	109,363
Passed through Albany Medical College:			
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	4 H12HA24855-03-00	45,321
Passed through Dutchess County Department of Health:			
HIV Care Formula Grants	93.917	15-3378-23	41,557
Passed through New York State Department of Health AIDS Institute:			
HIV Care Formula Grants	93.917	003964-04	164,644
Total 93.917			206,201
Passed through Westchester County Department of Health:			
HIV Emergency Relief Project Grants	93.914	H89HA00015	151,775
Passed through Community HealthCare Association of New York State:			
Technical and Non-Financial Assistance to Health Centers	93.129	U58CS06809	92,053
Passed through Association of Clinicians for the Underserved, Inc.:			
Technical and Non-Financial Assistance to Health Centers	93.129	Not Available	10,640
Total 93.129			102,693
Passed through the State University of New York:			
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - financed by 2012 Prevention and Public Health Funds (PPHF)	93.734	C-120048	2,550
Passed through Health Center Network of New York:			
Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations- financed in part by Prevention and Public Health Funds (PPHF)	93.524	Not Available	26,000
Passed through Bassett Healthcare Network:			
Occupational Safety and Health Program	93.262	Not Available	588
Total U.S. Department of Health and Human Services			16,882,631
U.S. Department of Agriculture:			
Passed through New York State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C-025753	4,725,225
Total U.S. Department of Agriculture			4,725,225
U.S. National Corporation for Service:			
Passed through National Association of Community Health Centers:			
AmeriCorps	94.006	10EDHMD0010016	157,609
Total U.S. National Corporation for Service			157,609
Total Federal Awards			$ 21,765,465

See Notes to Schedule of Expenditures of Federal Awards.

Hudson River HealthCare, Inc. and Subsidiaries

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 Hudson River HealthCare, Inc. (the "Center"). 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 changes in net assets.

Note 4 - Subrecipients

The Center provided Federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Agency or Pass - Through Grantor's Number	Amount Provided to Subrecipients
Health Centers Cluster	93.224/93.527	N/A	$ 816,230

Note 5 - Nonmonetary assistance

Nonmonetary assistance is reported in the Schedule at the fair value of the WIC checks. The total Federal share of the food instruments distributed by the Center amounted to $3,678,763.

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
Hudson River HealthCare, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Hudson River HealthCare, Inc. and Subsidiaries (the "Corporation"), 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 June 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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*.

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

New York, New York
June 29, 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
Hudson River HealthCare, Inc.

Report on Compliance for Each Major Federal Program

We have audited Hudson River HealthCare, Inc. and Subsidiaries' (the "Corporation") 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 Corporation's major Federal programs for the year ended December 31, 2014. The Corporation'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 Corporation'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 Corporation'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 Corporation's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the Corporation 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 Corporation'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 Corporation'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.

CohnReznick LLP

New York, New York
June 29, 2015

Hudson River HealthCare, Inc. and Subsidiaries

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

Section I - Summary of Auditor's Results

Consolidated Financial Statements:

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 consolidated financial statements noted? ___ yes __✓__ no

Federal Awards:

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:

CFDA Number(s)	Name of Federal Program
	United States Department of Health and Human Services:
93.224/93.527	Health Centers Cluster: Consolidated Health Centers and Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program

Dollar threshold used to distinguish between type A and B programs: $652,964

Auditee qualified as low-risk auditee? __✓__ yes ___ no

Hudson River HealthCare, Inc. and Subsidiaries

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Hudson River HealthCare, Inc. and Subsidiaries

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

Finding Number	Condition	Status
None noted		