The Institute for Family Health and Affiliates

Consolidated Financial Statements and
OMB Circular A-133 Financial Report
Together With Independent Auditors' Report

December 31, 2014 and 2013

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O'CONNOR DAVIES

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Independent Auditors' Report

Board of Directors
The Institute for Family Health and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Institute for Family Health and Affiliates (the "Institute"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 financial position of The Institute for Family Health and Affiliates as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Report on Supplementary Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position, activities and changes in net assets and functional expenses on pages 28 through 33 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2015 on our consideration of the Institute'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 Institute's internal control over financial reporting and compliance.

O'Connor Davies, LLP

May 20, 2015

The Institute for Family Health and Affiliates

Consolidated Statements of Financial Position

	December 31, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 8,054,747	$ 12,954,002
Restricted cash	981,217	1,920,351
Patient services receivable, net of allowances of $5,707,000 and $5,495,000	12,703,638	11,785,590
Grants and contracts receivable	9,788,064	7,447,015
Deposits and other receivables	944,853	1,338,217
Prepaid expenses and other	1,730,813	1,701,509
Hospital service contracts receivable	656,250	525,000
Total Current Assets	34,859,582	37,671,684
Goodwill	2,998,806	2,998,806
Deferred financing costs, net	2,281,576	2,160,720
Other long-term assets	263,000	-
Assets limited as to use	93,797	121,508
Loan and interest receivable	22,344,884	21,351,110
Property and equipment, net	52,666,408	42,753,663
	$ 115,508,053	$ 107,057,491
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 6,734,618	$ 6,690,433
Accrued compensation and benefits	3,639,807	2,820,849
Capital lease obligation	862,098	-
Long-term debt	393,119	342,229
Due to third party payors	788,686	-
Refundable advances-state and other	662,532	1,503,499
Total Current Liabilities	13,080,860	11,357,010
Deferred rent liability	722,564	982,084
Other long-term liabilities	286,680	-
Capital lease obligation, net of current portion	400,332	-
Long-term debt, net of current portion	45,882,485	40,311,237
Total Liabilities	60,372,921	52,650,331
Net Assets		
Unrestricted	53,876,244	53,118,383
Temporarily restricted	1,258,888	1,288,777
Total Net Assets	55,135,132	54,407,160
	$ 115,508,053	$ 107,057,491

See notes to consolidated financial statements

The Institute for Family Health and Affiliates

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2014	2013
OPERATING REVENUE		
Net patient service revenue	$ 64,430,671	$ 65,516,427
Provision for bad debts	(4,669,815)	(5,494,509)
Patient services revenue, less provision for bad debts	59,760,856	60,021,918
Capitation revenue	5,535,284	5,319,723
Grants and contracts	31,021,294	28,516,907
Hospital service contracts	5,072,430	4,909,822
Net assets released from restrictions	1,441,268	1,534,530
Meaningful use incentives	748,000	1,168,993
Interest income	1,123,207	180,186
Other	1,110,635	2,501,226
Total Revenue	105,812,974	104,153,305
OPERATING EXPENSE		
Salaries and benefits	77,234,886	69,528,589
Other than personnel services	24,853,271	23,706,324
Interest expense	933,480	1,531,208
Total Expenses	103,021,637	94,766,121
Operating Income Prior to Depreciation and Amortization	2,791,337	9,387,184
Depreciation and amortization expense	2,282,097	2,245,030
Income from operations	509,240	7,142,154
NON-OPERATING REVENUE		
Grants and contracts for construction projects	-	1,176,302
Net assets released from restrictions	248,621	-
Change in Unrestricted Net Assets	757,861	8,318,456
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,660,000	1,425,000
Net assets released from restrictions	(1,689,889)	(1,534,530)
Change in Temporarily Restricted Net Assets	(29,889)	(109,530)
Change in Net Assets	727,972	8,208,926
NET ASSETS		
Beginning of year	54,407,160	46,198,234
End of year	$ 55,135,132	$ 54,407,160

See notes to consolidated financial statements

The Institute for Family Health and Affiliates

Consolidated Statements of Cash Flows

	Year Ended December 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 727,972	$ 8,208,926
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	2,184,900	1,679,941
Amortization of deferred financing costs	97,197	565,089
Provision for bad debts	4,669,815	5,494,509
Change in operating assets and liabilities		
Patient services receivable	(5,587,863)	(2,764,116)
Grants and contracts receivable	(2,341,049)	8,554,273
Hospital service contracts receivable	(131,250)	(262,500)
Deposits and other receivables	393,364	5,112,978
Prepaid expenses and other	(29,304)	(560,692)
Accounts payable and accrued expenses	(394,896)	(5,975,457)
Accrued compensation and benefits	818,958	499,511
Due to third party payors	788,686	-
Deferred rent liability	(259,520)	982,084
Other liabilities	23,680	-
Refundable advances - state and other	(840,967)	405,095
Net Cash from Operating Activities	119,723	21,939,641
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,317,981)	(5,549,893)
Restricted cash	939,134	7,012,298
Withdrawal of limited as to use assets	27,711	770,750
Net Cash from Investing Activities	(4,344,910)	2,233,155
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on long-term debt	(370,183)	(22,413,739)
Proceeds from long-term debt	-	9,428,592
Principal repayments on line of credit	-	(2,976,887)
Principal payments on capital lease obligation	(85,832)	-
Deferred financing costs	(218,053)	(223,231)
Net Cash from Financing Activities	(674,068)	(16,185,265)
Change in Cash and Cash Equivalents	(4,899,255)	7,987,531
CASH AND CASH EQUIVALENTS		
Beginning of year	12,954,002	4,966,471
End of year	$ 8,054,747	$ 12,954,002
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 933,480	$ 1,531,208
Purchase of equipment under capital leases	$ 1,348,262	$ -
Property and equipment additions included in accounts payable and accrued expenses	$ 439,081	$ 838,000
Purchase of property and equipment under long-term debt	$ 5,992,321	$ -

See notes to consolidated financial statements

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1. Organization

The Institute for Family Health (the "Center") is a New York not-for-profit corporation that provides medical, mental health, dental and other healthcare related services through the development and operation of family practice centers located in Manhattan, Bronx, Dutchess and Ulster Counties in New York and provides medical training in New York City and Kingston, New York and other health research programs. The accompanying consolidated financial statements also include the following entities (collectively, the "Institute"). All intercompany transactions and account balances have been eliminated.

- The Mid-Hudson Family Health Institute Foundation d/b/a Institute for Family Health Foundation, Inc. (the "Mid-Hudson Foundation"), is a New York not-for-profit corporation incorporated for the purpose of advancing the objectives of the Center by developing financial support from sources not otherwise available.

- The IFH Foundation is a New York not-for-profit corporation that was incorporated to help facilitate the Center in receiving funds as part of a financing using the New Markets Tax Credit as the qualified active low-income community business (Note 10).

- IFH Properties, LLC ("IFH Properties") is a limited liability company that was formed in Delaware in February 2012 as a single member limited liability company. IFH Properties was created to build and own the Family Health Center of Harlem using funds from the New Markets Tax Credit as the qualified active low-income community business borrower (Note 10). IFH Foundation is the sole member of IFH Properties.

- Family Health Center of New Paltz Properties, LLC ("FHCNPP") is a limited liability company that was formed in Delaware in April 2014 as a single member limited liability company. FHCNPP was created to own and operate the facility located at 279 Main Street, New Paltz, New York. The Institute is the sole member of FHCNPP.

Tax Exempt Status

The Center, Mid-Hudson Foundation, and the IFH Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

IFH Properties and FHCNPP are single member limited liability companies which are effectively exempt from income taxes because they are disregarded entities separate from their sole members, which are themselves exempt under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Institute's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Resources are classified for accounting and reporting purposes into net asset classes according to donor imposed restrictions. Unrestricted net assets are those whose use is not subject to any donor imposed restrictions. Temporarily restricted net assets are those resulting from contributions and other inflows of assets whose use by the Institute is limited by donor imposed stipulations that will be met either by the passage of time or that can be fulfilled and removed by actions of the Institute pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other restrictions. Permanently restricted net assets are donor restricted gifts that must be maintained permanently by the Institute to provide present and future income for operations. At December 31, 2014 and 2013, there were no permanently restricted net assets.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions include contractual allowances and allowances for uncollectible receivables and the allocation of expenses to functional classifications. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Institute follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs relate to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

Cash and cash equivalents include certain investments with maturity dates of three months or less at the time of purchase. The Institute maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Institute has not experienced any losses in such accounts. Cash and cash equivalents do not include cash and investments whose use is limited and restricted cash.

Restricted Cash

Restricted cash consists of cash received as part of the New Markets Tax Credit financing that will be used to pay accrued liabilities associated with property additions as well as interest and other fees. The restricted cash bank account is controlled by TD Bank (Note 10).

Patient Services Receivable and Concentration of Credit Risk

The collection of receivables from third-party payors and patients is the Institute's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient services receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Institute estimates doubtful accounts based on historical bad debts, factors related to specific payors' ability to pay and current economic trends. The Institute writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

The Institute has established estimates, based on information presently available, of amounts due to third party for adjustments to current and prior years' payments and payment rates. Such amounts are included in Due to third party payors in the accompanying consolidated statements of financial position at December 31, 2014.

Property and Equipment

Property and equipment is carried at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from 5 to 40 years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful life of the improvement or the term of the lease ranging from 5 to 39 years.

The Institute capitalizes construction, insurance and other costs during the period of construction. Depreciation is recorded when construction is substantially complete and the assets are placed in service.

The Institute capitalizes property and equipment purchased with federal funds and depreciates those assets over their estimated useful lives. According to federal regulations, any property and equipment obtained through federal funds are subject to lien by the federal government. As long as the Institute maintains its tax-exempt status, or so long as the equipment is used for its intended purpose, the Institute is not required to reimburse the federal government or return those assets. If the stated requirements are not met, the Institute would be obligated to the federal government in an amount equal to the fair value of the property and equipment.

2. Summary of Significant Accounting Policies *(continued)*

Impairment of Long-lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Institute records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. The Institute does not believe that any material impairment currently exists related to its long-lived assets.

Asset Retirement Obligations

The Institute accounts for Asset Retirement Obligations ("ARO") in accordance with U.S. GAAP, which defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation, does not defer recognition of a liability. The fair value of the ARO is recorded on a discounted basis and accreted over time for the change in fair value. Management has determined that there are no ARO liabilities that are required to be reported at December 31, 2014 and 2013.

Deferred Financing Costs

Deferred financing costs represent costs incurred to obtain long-term financing. Amortization of these costs is over the life of the applicable indebtedness.

Goodwill

The Institute follows U.S. GAAP guidance on goodwill impairment testing which allows an entity to first assess qualitative factors to determine whether it is more likely than not that goodwill may be impaired. Under this guidance, qualitative factors are assessed at least annually, or more frequently, if events or changes in circumstances indicate that the carrying value of the reporting unit is less than its carrying amount. If the Institute's qualitative assessment indicates that goodwill may be impaired, the Institute will estimate the fair value of the reporting unit based on one or more of the following valuation techniques; (1) income; (2) discounted cash flows, or; (3) market approach. If such fair value estimate is less than the carrying value of goodwill, an impairment loss is recognized. The Institute concluded that goodwill was not impaired during the years ended December 31, 2014 and 2013.

Deferred Rent Liability

The Center has entered into several operating lease agreements, some of which contain provisions for future rent increases, rent free periods or periods in which rent payments are reduced. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is recorded as a change in the deferred rent liability, which is included in the consolidated statements of financial position.

2. Summary of Significant Accounting Policies *(continued)*

Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Self-pay revenue is recorded at published charges with charitable care deducted to arrive at gross self-pay patient revenue, less contractual allowances to arrive at net self-pay revenue.

Capitation Revenue

The Institute has agreements with certain health maintenance organizations ("HMO") to provide medical services to subscribing participants. Under these agreements, the Institute receives monthly capitation payments based on the number of participants of each HMO assigned to the Center, regardless of services actually performed by the Institute.

Charity Care

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 medical care. 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. Sliding fee discount eligibility is established based on limited or no insurance coverage, income compared to published poverty levels and family size, as well as other factors. Because the Center does not pursue collection of amounts determined to qualify as sliding fee discount, they are not reported as revenue. The Center maintains records to identify and monitor the level of sliding fee discount it provides. Sliding fee discount is measured based on the Center's estimated direct and indirect costs of providing uninsured services.

Grants and Contracts

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted non-operating 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.

Meaningful Use Incentives

The American Recovery and Reinvestment Act of 2009 ("ARRA") amended the Social Security Act to establish a one-time incentive payment 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 the next four years and will be received based on a transitional schedule.

2. Summary of Significant Accounting Policies *(continued)*

Assets Limited as to Use

Assets limited as to use include assets held by trustees under loan agreements for debt service funds and interest reserve funds. Assets limited to use are held in cash and cash equivalents and are reported as long-term in the accompanying consolidated statements of financial position as their use is anticipated to occur after one year.

In-Kind Contributions

Donated vaccines are recognized at fair value in other than personnel services in the accompanying consolidated financial statements.

Professional and Similar Liabilities

The Institute presents insurance claim liabilities and related recoveries on a gross basis. Any estimated insurance recovery is reflected as a receivable on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible accounts. Professional and workers compensation liability claims are covered through commercial insurance. Management believes the Institute is adequately covered by insurance and that the outcome of any pending litigation will have no material adverse effect on the Institute's financial position.

Self-Insured Health Insurance

The Institute is self-insured for health insurance for non-union employees. The Institute records a liability for medical claims that have been incurred but not paid for employees covered by the self-insured plan. For the years ended December 31, 2014 and 2013, the Institute has recorded a liability for claims incurred but not paid of approximately $760,000 and $500,000, which is recorded in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

Functional Expenses

Expenses in Note 16 are charged to program services, general and administrative or fundraising development based on a combination of specific identification and allocation by management.

Operating Indicator

The consolidated statements of activities and changes in net assets include gain from operations. Changes in unrestricted net assets which are excluded from gain from operations, consistent with industry practice, include grants and contracts for construction projects. Peripheral or incidental transactions are reported as non-operating revenue and expenses.

Accounting for Uncertainty in Income Taxes

The Institute recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Institute had no uncertain tax positions that would require consolidated financial statement recognition or disclosure. The Institute is no longer subject to examination by the applicable taxing jurisdictions for periods prior to December 31, 2011.

2. Summary of Significant Accounting Policies *(continued)*

Reclassifications

Certain reclassifications have been made to the 2013 balances previously reported in order to conform to the 2014 presentation. These reclassifications have had no effect on net assets.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through May 20, 2015, which is the date the consolidated financial statements were available to be issued.

3. Patient Services Receivable and Revenue

The Institute recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual and formula-driven rates for the services rendered. Patient service revenue for the years ended December 31, 2014 and 2013, net of contractual allowances and discounts (but before the provision for bad debts), recognized from these major payor sources based on primary insurance designation, is as follows:

	2014	2013
Third-Party	$ 60,760,681	$ 61,619,569
Self-Pay	3,669,990	3,896,858
	$ 64,430,671	$ 65,516,427

Deductibles and copayments under third-party payment programs within the third-party payor amounts above are the patient's responsibility and the Institute considers these amounts in its determination of the provision for bad debts based on collection experience. Accounts receivable is also reduced by an allowance for doubtful accounts.

In evaluating the collectability of accounts receivable, the Institute 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.

The Institute's allowance for doubtful accounts totaled approximately $5.7 million and $5.5 million at December 31, 2014 and 2013. The Institute did not experience significant changes in write-off trends and did not change its charity care policy in 2014 and 2013.

3. Patient Services Receivable and Revenue *(continued)*

For the year ended December 31, 2013, the Center received a retroactive adjustment for Medicaid rate changes of approximately $11.2 million, of which approximately $9.4 million related to prior years, which increased the income from operations.

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

	2014	2013
Medicaid	$ 1,783,881	$ 3,084,508
Medicaid managed care	4,350,169	1,363,912
Medicare	2,303,808	1,640,008
Private insurance	2,047,048	3,077,057
Self-pay	5,252,723	6,239,237
Pharmacy	365,957	149,246
	16,103,586	15,553,968
Less allowance for doubtful accounts	(5,706,683)	(5,494,504)
	10,396,903	10,059,464
NYS Uncompensated Care	1,036,868	-
NYS Medicaid Managed Care Wraparound	1,269,867	1,726,126
	$ 12,703,638	$ 11,785,590

For the years ended December 31, the mix of patient services revenue, net is as follows:

	2014	2013
Medicaid	41%	33%
Medicaid managed care	28%	31%
Medicare	10%	12%
Private insurance	14%	15%
Self-pay	7%	9%
	100%	100%

Based on the cost of patient services, charity care approximated $4,016,554 and $3,654,000 for the years ended December 31, 2014 and 2013 and community benefit approximated $213,513 and $7,212,000 for the years ended December 31, 2014 and 2013.

4. Loan and Interest Receivable

In connection with the New Markets Tax Credit transaction (Note 10), on March 2, 2012, the Center loaned 481 IFH Investment Fund, LLC, an unrelated entity, $21,351,110. The loan is secured by a first lien on the membership interest of PCDC Empire State Health Opportunities Fund III, LLC and CHHS Subsidiary CDE 5, LLC (collectively the "Sub Community Development Entities"). The loan is comprised of a Senior Note in the amount of $2,151,110, a Junior Note A in the amount of $15,000,000 and a Junior Note B in the amount of $4,200,000. The notes are interest only until 2019 and carry an interest accrual rate of 2.15%, payable at the rate of .53% through June 30, 2019. Accrued interest in the amount of approximately $993,000 at December 31, 2014 is included in Loan and Interest receivable on the consolidated statement of financial position. The Senior Note in the amount of $2,151,110 is due June 30, 2019 and the remaining notes are due on March 31, 2042.

Cross Collateralization

As part of the loan agreement related to the New Markets Tax Credit, collateral for the Center's loan receivable to 481 IFH Investment Fund, LLC are the assets of the Sub Community Development Entities. The Sub Community Development Entities have used the funds received by 481 IFH Investment Fund, LLC to provide a loan to IFH Properties (a consolidated entity) to purchase and build the Family Health Center of Harlem. Accordingly, the loan payable to the Sub Community Development Entities (which constitute substantially all of the assets of the Sub Community Development Entities) serves as collateral for the loan receivable from 481 IFH Investment Fund, LLC. The consolidated financial statements do not include any adjustments that might result from a default by 481 IFH Investment Fund, LLC on the loan receivable.

5. Deposits and Other Receivables

Deposits and other receivables consist of the following at December 31:

	2014	2013
Meaningful Use Incentive Funding	$ 748,000	$ 1,168,993
Other	196,853	169,224
	$ 944,853	$ 1,338,217

6. Deferred Financing Costs, Net

Deferred financing costs arose when the Institute refinanced a mortgage and as part of the debt agreements related to the New Markets Tax Credit (Note 10). Amortization is recorded over the term of the debt. Deferred costs and accumulated amortization at December 31, are summarized as follows:

	2014	2013
Deferred debt issuance costs	$ 2,451,531	$ 2,249,081
Accumulated amortization	(169,955)	(88,361)
	$ 2,281,576	$ 2,160,720

The Center expensed approximately $430,000 of deferred financing fees during 2013 in connection with the repayment of the Ulster County debt (Note 10e).

7. Property and Equipment, Net

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

	2014	2013
Land	$ 1,492,448	$ 484,448
Building and building improvements	49,813,995	41,060,679
Leasehold improvements	4,669,473	4,652,853
Furniture and fixtures	14,878,196	13,258,168
	70,854,112	59,456,148
Less accumulated depreciation and amortization	(18,955,361)	(16,770,461)
	51,898,751	42,685,687
Construction-in-progress	767,657	67,976
	$ 52,666,408	$ 42,753,663

Construction-in-progress is for various ongoing projects at the Center. The total estimated additional costs to complete these projects approximate $4,500,000 and are expected to be completed in 2015.

No interest was capitalized during the years ended December 31, 2014 and 2013.

In the event of termination of the Department of Health and Human Services ("DHHS") grants, the DHHS reserves the right to require transfer of all property and equipment purchased with grant funds and/or grant-related income to the United States Public Health Service or third parties.

8. Line of Credit

The Institute had a line of credit agreement with TD Bank in the amount of $5,000,000 which was secured by certain assets of the Institute. Interest was charged at 4.25% per annum. In October 2013, the line of credit matured and the Institute repaid the balance outstanding on the line of credit.

On December 19, 2013, the Institute secured a new revolving line of credit with Citibank in the amount of $5,000,000. The line of credit matures on July 31, 2015 and has a variable interest rate for each advance equal to LIBOR rate plus 2%. No amounts were drawn down on this line of credit and no balance is outstanding as of December 31, 2014 and 2013.

9. Receivable from the New York City Economic Development Corporation

In February 2012, the Institute entered into an agreement with the New York City Economic Development Corporation ("NYCEDC"). Under the terms of the agreement, if the Center vacates the premises located at 1879 Madison Avenue (the "Property"), the Center will receive an early lease termination payment of $4,345,000. The Center satisfied the condition of vacating the Property on December 17, 2012. Accordingly, the Institute recorded a receivable from NYCEDC and a contribution from NYCEDC for $4,345,000 in the accompanying consolidated financial statements.

In February 2013, the Institute was paid $4,345,000 for vacating the Property in accordance with the terms of the agreement. The proceeds from the note and loan agreement were paid to TD Bank to satisfy the IFH Loan Junior Bridge Note B (Note 10).

10. Long-Term Debt

At December 31, long-term debt consists of the following:

	2014	2013
Debt associated with the New Markets Tax Credit:		
TD Bank		
(a) IFH Loan Senior Note	$ 2,151,110	$ 2,151,110
Sub Community Development Entities		
(b) PCDC Empire State Health Opportunities Fund III LLC Loan (Senior Loan)	2,151,110	2,151,110
(c) PCDC Empire State Health Opportunities Fund III LLC Loan (Junior Loan)	17,238,786	17,238,786
(d) CHHS Subsidiary CDE5, LLC Loan (Junior Loan)	9,725,000	9,725,000
Other debt:		
(e) Citibank Loan	9,035,739	9,340,000
(f) ADP Loan	-	47,460
(g) Wells Fargo Loan	5,973,859	-
	$ 46,275,604	$ 40,653,466

10. Long-term Debt *(continued)*

New Markets Tax Credit

On March 2, 2012, the Institute and IFH Properties entered into various debt agreements facilitated by the New Markets Tax Credit to fund the opening of the Family Health Center of Harlem, a 37,000 square foot health care facility located at 1824 Madison Avenue at 119th Street, New York, New York.

Items (a) through (d) relate to the debt agreements entered into by the Center and IFH Properties as a result of the New Markets Tax Credit.

Loans between the Center and TD Bank under the IFH Loan and Security Agreement

a) The Center entered into a bridge loan agreement with TD Bank for $15,200,000. The bridge loan was made to the Center for funds that were received from the New York State Department of Health by the Center for the HEAL NY Phase 19 Grant ("HEAL Grant"). The loan had an interest rate of 2.15% and was due on March 1, 2013. The loan was subsequently extended to May 31, 2013. Principal payments were made by the Center through December 31, 2012 of $3,965,005, leaving a remaining balance at December 31, 2012 of $11,234,995. The remainder of the loan was repaid to TD Bank on March 28, 2013, predominantly through the proceeds received from the HEAL Grant.

The Center entered into a bridge loan agreement with TD Bank for $4,345,000. The loan had an interest rate of 2.15% and was due on March 1, 2013. The loan was subsequently extended to May 31, 2013. The loan was repaid to TD Bank on February 26, 2013 through the proceeds received from a New York City Economic Development Corporation (Note 9).

The Center entered into a loan agreement with TD Bank for $2,151,110. The loan is interest only until June 30, 2019 at an interest rate of 4.00%. The entire principal balance is due on June 30, 2019.

The loan is collateralized by the HEAL Grant, the New York City Economic Development Corporation loan proceeds, $4 million under a supplemental pledge agreement and other rights under Section 3.1 of the IFH Loan and Security Agreement. The proceeds of the funds were loaned to 481 IFH Investment Fund, LLC, an entity unrelated to the Institute (Note 4).

In connection with loan, the Center is required to meet financial and debt reporting covenants.

10. Long-Term Debt *(continued)*

Loans between IFH Properties and the Sub Community Development Entities under Senior and Junior Loan Agreements

The following loans were obtained by IFH Properties as the qualified low-income community business borrower from the Sub Community Development Entities to purchase and build the Family Health Center of Harlem:

b) IFH Properties entered into a loan agreement on March 2, 2012 with PCDC Empire State Health Opportunities Fund III LLC. The loan is interest only until June 30, 2019 at an interest rate of 1.01%. The entire principal balance is due on June 30, 2019.

c) IFH Properties entered into a second loan agreement on March 2, 2012 with PCDC Empire State Health Opportunities Fund III LLC. The loan is interest only until June 30, 2019. The loan has an interest rate of 1.01% and is due on March 31, 2042.

d) IFH Properties entered into a loan agreement on March 2, 2012 with CHHS Subsidiary CDE5, LLC. The loan is interest only until June 30, 2019. The loan has an interest rate of 1.01% and is due on March 31, 2042.

PCDC Empire State Health Opportunities Fund III LLC is managed by Primary Care Development Corporation (a Community Development Entity). CHHS Subsidiary CDE5, LLC is managed by Community Hospitality Health Care Services (a Community Developmental Entity).

Loans (b) through (d) are collateralized by the land and property of the Family Health Center of Harlem. Loans (c) and (d) are both subordinate to loan (b). In connection with loans (b) through (d), IFH Properties LLC is required to meet certain debt reporting covenants.

Other Debt

e) On December 19, 2013, the Center entered into the following loan agreements with Citibank:

1) Mortgage note in the amount of $9,340,000 at an annual interest rate of 4.21%. The note matures on December 19, 2033. The proceeds from the note were used to repay two loans and the remaining proceeds were used to replenish cash reserve.

2) Leasehold term note in the amount of $3,500,000 for the purpose of financing a renovation project at the Stevenson Family Health Center. The note has an annual interest rate of 2.89% and matures on December 2020. As of December 31, 2014 and 2013, no amounts were drawn on this note.

3) Equipment term note in the amount of $1,500,000 to finance equipment purchases by the Center for the Stevenson Family Health Center. The note has an annual interest rate of 2.89% and matures in December 2020. As of December 31, 2014 and 2013, no amounts were drawn on this note.

f) In 2013, the Center executed a promissory note with ADP to finance equipment from ADP. The note is payable in consecutive monthly installments until it is paid in full. The note is non-interest bearing and matured in 2014.

10. Long-Term Debt *(continued)*

g) On September 16, 2014, FHCNPP purchased a facility located at 279 Main Street, New Paltz, New York for approximately $9,600,000. As part of the sale, FHCNPP assumed the outstanding mortgage approximating $6,000,000 from the lender. The original mortgage was $6,128,000 with an interest rate of 6.30%, with interest only payments for the first 60 months and principal and interest for the next 60 months. The maturity date of the loan is September 1, 2017 and a balloon payment of $5,818,357 is required at the maturity. FHCNPP has the ability to prepay the outstanding balance two years prior to the maturity date.

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

2015	$ 393,119
2016	410,645
2017	6,163,503
2018	359,960
2019	4,677,630
Thereafter	34,270,747
	$ 46,275,604

The fair value of the Institute's debt approximates the carrying value.

11. Capital Lease Obligation

Equipment under capital lease consists of IT equipment for the Data Center with a combined capitalized cost of $1,348,263. Accumulated depreciation in the statements of financial position included $202,239 relating to these leased copiers. Depreciation expense reported in the statements of activities and changes in net assets includes $202,239 for the equipment under capital lease. The leases include $1 purchase options at the end of the lease period. Future minimum lease payments for the years ending December 31, are as follows:

2015	$ 862,098
2016	122,926
2017	129,436
2018	136,291
2019	11,679
	$1,262,430

The imputed interest necessary to reduce the net minimum lease payments to present value is considered immaterial.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, consist of contributions received from the following organizations for specific programs and activities.

	Balance 12/31/2013	2014 Additions	Net Assets Released from Restrictions	Balance 12/31/2014
Altman Foundation - Institute Link and Messaging Campaign	$ 76,615	$ -	$ (76,615)	$ -
Mary Helen Rowan - Capital Project	125,000	-	-	125,000
Robin Hood Foundation - Diabetes and Free Clinic Programs	1,005,079	1,210,000	(1,271,200)	943,879
Robin Hood Foundation - Capital Grant	-	400,000	(248,621) *	151,379
Van American Foundation - Mental Health	-	50,000	(18,042)	31,958
NYS Health Foundation	76,058	-	(75,411)	647
Cigna	6,025	-	-	6,025
	$ 1,288,777	$ 1,660,000	$ (1,689,889)	$ 1,258,888

*Amount is reported as release of restriction under non-operating revenue in the consolidated statement of activities and changes in net assets.

	Balance 12/31/2012	2013 Additions	Net Assets Released from Restrictions	Balance 12/31/2013
Altman Foundation - Institute Link and Messaging Campaign	$ 18,014	$ 100,000	$ (41,399)	$ 76,615
Mary Helen Rowan - Capital Project	125,000	-	-	125,000
Robin Hood Foundation - Diabetes and Free Clinic Programs	996,598	1,325,000	(1,316,519)	1,005,079
NYS Health Foundation	252,670	-	(176,612)	76,058
Cigna	6,025	-	-	6,025
	$ 1,398,307	$ 1,425,000	$ (1,534,530)	$ 1,288,777

The Institute for Family Health and Affiliates

Notes to Consolidated Financial Statements
December 31, 2014 and 2013

13. Grants and Contracts Revenue

Grants and contracts revenue consists of the following as of December 31:

	2014	2013
U.S. Department of Health and Human Services (DHHS):		
Health Resources and Services Administration:		
Consolidated Health Centers Program	$ 4,417,397	$ 4,212,853
HRSA Outreach and Enrollment	359,351	69,326
Supplemental HIV Award	26,358	21,142
HRSA Quality improvement	2,484	-
HRSA Expansion Grant	86,313	-
SAMSHA	407,414	479,172
Ryan White Title III: Early Intervention Services	483,503	541,438
ACA - Teaching Health Center Graduate Medical Education	6,135,624	3,977,246
ACA SBHC Washington Irving Renovations	33,299	-
ACA SBHC PS 57	164,042	102,166
IFI Capital Development Grant	254,961	61,239
National Institute of Health (NIH):		
National Center on Minority Health and Disparities	-	253,108
National Human Genome Research Institute	-	53,668
National Library of Medicine Spanish MyChart	71,682	118,770
Center for Disease Control and Prevention (CDC):		
Racial and Ethnic Approach to Community Health	-	255,397
Bronx Health Reach	69,884	-
Agency for Healthcare Research and Quality	-	6,801
HITCH: CHIPRA Outreach and Enrollment Grants	-	144,696
HITCH: Cancer Services Program	62,972	60,842
Care for the Homeless	888,540	845,521
NYC Department of Health and Mental Hygiene:		
Care Coordination Protocol for HIV Infected Persons	418,207	404,078
Immunization Grants	669,036	548,949
NYS Offices for Children and Family Services:		
Ulster County Healthy Start	1,025,098	988,423
Dutchess County Healthy Families	755,821	620,806
NYS Department of Health (NYSDOH):		
Heal 10	-	113,721
Heal 17	22,069	938,957
Heal 22	32,500	135,500
Community Health Workers	8,273	166,265
School Based Health	289,075	296,082
Health Workforce Retraining Initiative	302,670	286,690
School Wellness Policies	121,084	123,613
Oral Health Grant	57,819	55,991
Women, Infants and Children	979,318	874,872
Doctors Across New York	232,383	387,471
Doctors Across New York Physician Practice Support Program	100,000	-
Vital Access Program	1,644,264	1,356,428
NYS Department of Health Aids Institute:		
Ryan White Part B - BCSS Mental Health	119,895	219,718
Rebate	364,672	343,817
Mt. Sinai - NIH Genetic	149,156	-

13. Grants and Contracts Revenue *(continued)*

New York State Department of Health Bureau of Maternal & Child Health:		
Maternal and Infant Community Health Collaboratives	$ 379,655	$ 45,630
Community Based Care Transition Program	784,862	473,676
Fund for Public Health - Community Transformation Grant	128,036	169,225
Hospital Medical Home Demonstration Program - Beth Israel	440,364	472,075
Hospital Medical Home Demonstration Program - Kingston	598,749	576,396
Hospital Medical Home Demonstration Program - Mt. Sinai	456,333	456,333
NYC Department of Social Services of the Human Resource Administration:		
Federal Employment and Guidance Services	2,480,139	2,695,471
Collaborations for Health Improvement in East Harlem - Project HEED	30,223	13,006
Dutchess County Department of Health - Ryan White HIV	-	17,875
Rural Health Network	265,089	175,078
NYS Office of Mental Health	78,516	157,032
Catskill Hudson AHEC	72,371	85,053
New York Metro AHEC	100,686	146,936
NYS Health Foundation - Diabetes Campaign	40,537	-
Single Stop USA	323,190	255,504
Single Stop to Veterans	55,244	67,350
University of Washington Collaborative Care Project	193,276	203,322
March of Dimes Foundation	57,713	42,400
EPIC	-	130,000
Kingston Hospital	500,000	500,000
Kingston City District	66,360	-
Kingston Schools	71,803	141,432
Turnaround for Children	71,726	-
Weill Cornell Medical College	-	100,950
Buck Foundation	103,580	-
New York Community Trust	131,404	-
United Hospital Fund	92,823	-
Pfizer	205,914	71,259
Ellenville School Disctrict	38,000	37,500
Ellenville Hospital	96,667	116,000
New Paltz School	24,000	-
Johnson & Johnson	-	27,324
University of Pittsburgh	-	70,495
Beth Israel Hospital Community Benefit Grant	687,535	687,535
Mt. Sinai Community Benefit Grant	675,000	675,000
National Association of Community Health Centers - Community Health	179,321	167,469
Ulster Greene ARC	70,000	70,000
Direct Relief Grant	90,000	-
Wellcare	71,187	193,000
Other	605,827	411,815
	$ 31,021,294	$28,516,907

14. Pension Plan

Profit Sharing Plan

The Institute maintains a noncontributory profit-sharing plan which covers all employees meeting certain eligibility requirements. Contributions to the plan are based on a percent of salaries. The Board of Directors voted to make a contribution to the profit-sharing plan for both years ended December 31, 2014 and 2013 in the approximate amount of $500,000 each year which is recorded as part of accrued compensation and benefits.

Union Pension Plans

The Institute contributes to the 1199 SEIU Health Care Employees Pension Plan, Building Service 32BJ Pension Fund and Local 153 Pension Plan (the "Union Plans"), pursuant to collective bargaining agreements that cover its union represented employees. The risks of participating in the multiemployer plan are different from a single-employer plan in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Institute's participation in the Union Plans for the years ended December 31, 2014 and 2013 is outlined in the table below. The "EIN Number" column provides the Employer Identification Number ("EIN"). The most recent Pension Protection Act ("PPA") zone status available in 2014 and 2013 is for the Union Plans' year-end at December 31, 2013 and 2012. The zone status is based on information that the Institute received from the Union Plans and is certified by the actuaries of the Union Plans. Among other factors, pension plans in the red zone are generally less than 65% funded, pension plans in the yellow zone are less than 80% funded, and pension plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates pension plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the Union Plans are subject.

14. Pension Plan *(continued)*

Multi-Employer Union Pension Plan (continued)

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status		FIR / RP Status Pending/Implemented	Contributions by the Center		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
			2014	2013		2014	2013		
1199 SEIU Health Care Employees Pension Fund	13-3604862	001	Green as of 1/1/14	Green as of 1/1/13	No	$ 128,054	$ 107,095	No	1/31/2018
Local 32BJ SEIU	13-1879376	001	Red as of 7/1/14	Red as of 7/1/13	Yes	136,576	24,000	No	12/31/2015
Local 153 Pension Fund	13-2864289	001	Red as of 1/1/14	Red as of 1/1/13	Yes	67,385	84,000	No	12/31/2018

Form 5500 is not yet available for the Union Plans' year ended in 2014.

15. Commitments and Contingencies

Reimbursement

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

Medicaid and Medicare revenue is reimbursed to the Institute 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.

Healthcare Revenue and Regulatory Compliance

The healthcare industry is subject to numerous laws and regulations imposed by federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. In addition, certain cost reports, which serve as the basis for final settlement with the Medicare program, remain open for audit and settlement, as are New York State Medicaid cost reports for prior years.

15. Commitments and Contingencies *(continued)*

Healthcare Revenue and Regulatory Compliance (continued)

Federal government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. Furthermore, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Accordingly, there is at least a reasonable possibility that recorded estimates for healthcare revenue will change in the near term and the change could be material to the Institute's financial condition, results of operations and cash flows.

The Institute is not aware of any allegations of noncompliance that could have a material adverse effect on the amounts recorded in the consolidated financial statements. In addition, management believes that the Institute has an effective compliance program in place to assist in complying with current laws and regulations and is in compliance, in all material respects, with applicable laws and regulations.

Collective Bargaining Agreement

During the years ended December 31, 2014 and 2013, approximately 23% and 22% of the Institute's employees were covered by various collective bargaining agreements. The agreements cover RN's, service, maintenance, technical, clerical and professional employees. A summary of the various labor contracts is as follows at December 31, 2014:

Union	% of Employees Covered	Contract Expiration date
1199SEIU United Healthcare Workers East	12%	1/31/2018
Local 32BJ Service Employees International Union	0.4%	12/31/2015
Local 153 Office and Professional Employees International Union	8%	12/31/2018
Committee of interns and Residents	2.3%	6/30/2016

Malpractice

The Institute maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA") for its Community Health Center program activities. FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Institute 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 Institute maintains gap insurance for claims that are not covered by FTCA.

15. Commitments and Contingencies *(continued)*

Lease from Related Party

The Institute leases office space from Family Life Ventures and is charged a pro rata percentage of the building's operating costs. For the years ended December 31, 2014 and 2013, the Institute incurred $1,101,249 and $1,085,620 in rental costs. Two members of management and one former employee of the Institute are owners of Family Life Ventures. There are no other transactions between the Institute and Family Life Ventures.

Lease between the Center and Affiliates

On March 2, 2012, IFH Properties purchased the property and building used for the Family Health Center of Harlem from the Center at cost for $3,774,016 and paid the Center development fees of $158,000.

On March 2, 2012, IFH Properties entered into an agreement to lease the Family Health Center of Harlem to the Center. The term of the lease is 30 years and payments of rent by the Center to IFH Properties began in January 2013. Occupancy expenses for year ended December 31, 2014 and 2013 amounted to $355,000.

On September 16, 2014, FHCNPP assumed from the seller the agreement to lease the Family Health Center New Paltz to the Center. The term of the lease was extended to expire in July 2025. Occupancy expense for year ended December 31, 2014 approximated $144,000.

Occupancy expense between the center and its affiliates is eliminated in consolidation.

Operating leases

At December 31, 2014, the Institute has commitments under noncancelable operating leases for real property rental expiring on various dates. All facilities are operated under non-cancelable operating leases requiring future minimum payments as follows:

2015	$ 2,941,482
2016	2,956,413
2017	2,673,150
2018	2,750,921
2019	2,765,936
Thereafter	26,751,577
	$ 40,839,479

Occupancy expense for the years ended December 31, 2014 and 2013 amounted to $3,696,416 and $4,924,713, which includes rent paid to Family Life Ventures.

16. Functional Expenses

The Institute provides primary care, mental health, dental care, social work and many other services to patients. Expenses related to providing these services as of December 31, 2014 and 2013 are as follows:

	2014	2013
Program services	$ 89,165,427	$ 80,308,399
General and administrative	14,327,940	14,787,745
Fundraising/Development	1,810,367	1,915,007
	$ 105,303,734	$ 97,011,151

17. Subsequent Event

On February 17, 2015, the Center entered into an agreement to purchase a building located at 2006 Madison Avenue, New York, New York for $10,500,000. The Center provided a deposit of $500,000 as per the agreement. The Center has obtained a commitment letter in the amount of approximately $8 million from a bank to finance the purchase.

* * * * *

The Institute for Family Health and Affiliates

Supplemental Information

December 31, 2014 and 2013

The Institute for Family Health and Affiliates

Consolidating Schedule of Financial Position
December 31, 2014

	The Institute for Family Health	IFH Properties	Mid-Hudson Foundation	Family Health Center of New Paltz Properties, LLC	Eliminations	Consolidated Total
ASSETS						
Current Assets						
Cash and cash equivalents	$ 7,845,771	$ 111,102	$ 10,112	$ 87,762	$ -	$ 8,054,747
Restricted cash	-	981,217	-	-	-	981,217
Patient services receivable, net of allowances of $5,707,000	12,703,638	-	-	-	-	12,703,638
Grants and contracts receivable	9,788,064	-	-	-	-	9,788,064
Deposits and other receivables	944,853	-	-	-	-	944,853
Due from the Center	-	478,825	-	-	(478,825)	-
Prepaid expenses and other	1,745,338	-	82,273	45,631	(142,429)	1,730,813
Hospital service contracts receivable	656,250	-	-	-	-	656,250
Total Current Assets	33,683,914	1,571,144	92,385	133,393	(621,254)	34,859,582
Goodwill	2,998,806	-	-	-	-	2,998,806
Deferred financing costs, net	295,334	1,785,241	-	201,001	-	2,281,576
Other long-term assets	263,000	-	-	-	-	263,000
Assets limited as to use	13,797	80,000	-	-	-	93,797
Investment in Family Health Center of New Paltz Properties, LLC	3,808,540	-	-	-	(3,808,540)	-
Loan and interest receivable	22,344,884	-	-	-	-	22,344,884
Property and equipment, net	18,343,469	24,784,992	-	9,537,947	-	52,666,408
	$ 81,751,744	$ 28,221,377	$ 92,385	$ 9,872,341	$ (4,429,794)	$ 115,508,053
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable and accrued expenses	$ 6,760,785	$ -	$ 50,000	$ 13,806	$ (89,973)	$ 6,734,618
Accrued compensation and benefits	3,639,807	-	-	-	-	3,639,807
Due to IFH Properties	478,825	-	-	-	(478,825)	-
Capital lease obligation	862,098	-	-	-	-	862,098
Long-term debt	317,321	-	-	75,798	-	393,119
Due to third party	788,686	-	-	-	-	788,686
Refundable advances-state and other	662,532	-	-	-	-	662,532
Total Current Liabilities	13,510,054	-	50,000	89,604	(568,798)	13,080,860
Deferred rent liability	722,564	-	-	-	-	722,564
Other long-term assets	263,000	-	-	76,136	(52,456)	286,680
Capital lease obligation, less current portion	400,332	-	-	-	-	400,332
Long-term debt, less current portion	10,869,528	29,114,896	-	5,898,061	-	45,882,485
Total Liabilities	25,765,478	29,114,896	50,000	6,063,801	(621,254)	60,372,921
Net Assets						
Unrestricted	54,727,378	(893,519)	42,385	3,808,540	(3,808,540)	53,876,244
Temporarily restricted	1,258,888	-	-	-	-	1,258,888
Total Net Assets	55,986,266	(893,519)	42,385	3,808,540	(3,808,540)	55,135,132
	$ 81,751,744	$ 28,221,377	$ 92,385	$ 9,872,341	$ (4,429,794)	$ 115,508,053

See independent auditors' report

The Institute for Family Health and Affiliates

Consolidating Schedule of Financial Position
December 31, 2013

	The Institute for Family Health	IFH Properties	Mid-Hudson Foundation	Eliminations	Consolidated Total
ASSETS					
Current Assets					
Cash and cash equivalents	$ 12,876,531	$ 66,030	$ 11,441	$ -	$ 12,954,002
Restricted cash	-	1,920,351	-	-	1,920,351
Patient services receivable, net of allowances of $5,495,000	11,785,590	-	-	-	11,785,590
Grants and contracts receivable	7,447,015	-	-	-	7,447,015
Deposits and other receivables	1,338,217	-	-	-	1,338,217
Due from the Center	-	496,502	-	(496,502)	-
Prepaid expenses and other	1,701,509	-	81,169	(81,169)	1,701,509
Hospital service contracts receivable	525,000	-	-	-	525,000
Total Current Assets	35,673,862	2,482,883	92,610	(577,671)	37,671,684
Goodwill	2,998,806	-	-	-	2,998,806
Deferred financing costs, net	328,499	1,832,221	-	-	2,160,720
Assets limited as to use	41,508	80,000	-	-	121,508
Loan receivable	21,351,110	-	-	-	21,351,110
Property and equipment, net	17,370,989	25,382,674	-	-	42,753,663
	$ 77,764,774	$ 29,777,778	$ 92,610	$ (577,671)	$ 107,057,491
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable and accrued expenses	$ 5,883,973	$ 837,629	$ 50,000	$ (81,169)	$ 6,690,433
Accrued compensation and benefits	2,820,849	-	-	-	2,820,849
Due to IFH Properties	496,502	-	-	(496,502)	-
Long-term debt	342,229	-	-	-	342,229
Refundable advances-state and other	1,503,499	-	-	-	1,503,499
Total Current Liabilities	11,047,052	837,629	50,000	(577,671)	11,357,010
Deferred rent liability	982,084	-	-	-	982,084
Long-term debt, less current portion	11,196,341	29,114,896	-	-	40,311,237
Total Liabilities	23,225,477	29,952,525	50,000	(577,671)	52,650,331
Net Assets					
Unrestricted	53,250,520	(174,747)	42,610	-	53,118,383
Temporarily restricted	1,288,777	-	-	-	1,288,777
Total Net Assets	54,539,297	(174,747)	42,610	-	54,407,160
	$ 77,764,774	$ 29,777,778	$ 92,610	$ (577,671)	$ 107,057,491

See independent auditors' report

The Institute for Family Health and Affiliates

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

	The Institute for Family Health	IFH Properties	Mid-Hudson Foundation	Family Health Center of New Paltz Properties, LLC	Eliminations	Consolidated Total
OPERATING REVENUE						
Net patient services revenue	$ 64,430,671	$ -	$ -	$ -	$ -	$ 64,430,671
Provision for bad debts	(4,669,815)	-	-	-	-	(4,669,815)
Patient services revenue, less provision for bad debts	59,760,856	-	-	-	-	59,760,856
Capitation revenue	5,535,284	-	-	-	-	5,535,284
Grants and contracts	31,021,294	-	-	-	-	31,021,294
Hospital service contracts	5,072,430	-	-	-	-	5,072,430
Net assets released from restrictions for operations	1,441,268	-	-	-	-	1,441,268
Meaningful use incentives	748,000	-	-	-	-	748,000
Interest income	1,123,207	-	-	-	-	1,123,207
Other	1,034,491	355,000	7,025	221,088	(506,969)	1,110,635
Total Revenue	105,736,830	355,000	7,025	221,088	(506,969)	105,812,974
OPERATING EXPENSE						
Salaries and benefits	77,234,886	-	-	-	-	77,234,886
Other than personnel services	25,279,866	23,418	7,250	49,706	(506,969)	24,853,271
Interest expense	530,492	292,977	-	110,011	-	933,480
Total Expenses	103,045,244	316,395	7,250	159,717	(506,969)	103,021,637
Operating Income Prior to Depreciation and Amortization	2,691,586	38,605	(225)	61,371	-	2,791,337
Depreciation and amortization expense	1,461,218	757,377	-	63,502	-	2,282,097
Income (loss) from operations	1,230,368	(718,772)	(225)	(2,131)	-	509,240
NON-OPERATING REVENUE						
Net assets released from restrictions	248,621	-	-	-	-	248,621
Change in Investment in Family Health Center of New Paltz Properties, LLC	(2,131)	-	-	-	2,131	-
	246,490	-	-	-	2,131	248,621
Change in Unrestricted Net Assets	1,476,858	(718,772)	(225)	(2,131)	2,131	757,861
TEMPORARILY RESTRICTED NET ASSETS						
Contributions	1,660,000	-	-	-	-	1,660,000
Net assets released from restrictions	(1,689,889)	-	-	-	-	(1,689,889)
Change in Temporarily Restricted Net Assets	(29,889)	-	-	-	-	(29,889)
Change in Net Assets	1,446,969	(718,772)	(225)	(2,131)	2,131	727,972
NET ASSETS						
Beginning of year	54,539,297	(174,747)	42,610	-	-	54,407,160
Member's contribution	-	-	-	3,810,671	(3,810,671)	-
End of year	$ 55,986,266	$ (893,519)	$ 42,385	$ 3,808,540	$ (3,808,540)	$ 55,135,132

See independent auditors' report

The Institute for Family Health and Affiliates

Consolidating Schedule of Activities and Changes in Net Assets
Year Ended December 31, 2013

	The Institute for Family Health	IFH Properties	Mid-Hudson Foundation	Eliminations	Consolidated Total
OPERATING REVENUE					
Net patient services revenue	$ 65,516,427	$ -	$ -	$ -	$ 65,516,427
Provision for bad debts	(5,494,509)	-	-	-	(5,494,509)
Patient services revenue, less provision for bad debts	60,021,918	-	-	-	60,021,918
Capitation revenue	5,319,723				5,319,723
Grants and contracts	28,516,907	-	-	-	28,516,907
Hospital service contracts	4,909,822	-	-	-	4,909,822
Net assets released from restrictions	1,534,530	-	-	-	1,534,530
Meaningful use incentives	1,168,993	-	-	-	1,168,993
Interest income	180,186	-	-	-	180,186
Other	2,162,370	2,156,099	3,000	(1,820,243)	2,501,226
Total Revenue	103,814,449	2,156,099	3,000	(1,820,243)	104,153,305
OPERATING EXPENSE					
Salaries and benefits	69,528,589	-	-	-	69,528,589
Other than personnel services	24,017,302	1,506,369	2,896	(1,820,243)	23,706,324
Interest expense	1,238,231	292,977	-	-	1,531,208
Total Expenses	94,784,122	1,799,346	2,896	(1,820,243)	94,766,121
Operating Income Prior to Depreciation and Amortization	9,030,327	356,753	104	-	9,387,184
Depreciation and amortization expense	1,489,062	755,968	-	-	2,245,030
Income (loss) from operations	7,541,265	(399,215)	104	-	7,142,154
NON-OPERATING REVENUE					
Grants and contracts for construction projects	1,176,302	-	-	-	1,176,302
Change in Unrestricted Net Assets	8,717,567	(399,215)	104	-	8,318,456
TEMPORARILY RESTRICTED NET ASSETS					
Contributions	1,425,000	-	-	-	1,425,000
Net assets released from restrictions	(1,534,530)	-	-	-	(1,534,530)
Change in Temporarily Restricted Net Assets	(109,530)	-	-	-	(109,530)
Change in Net Assets	8,608,037	(399,215)	104	-	8,208,926
NET ASSETS					
Beginning of year	45,931,260	224,468	42,506	-	46,198,234
End of year	$ 54,539,297	$ (174,747)	$ 42,610	$ -	$ 54,407,160

See independent auditors' report

The Institute for Family Health and Affiliates

Consolidated Schedule of Functional Expenses
Year Ended December 31, 2014

	Program Services	General and Administrative	Fundraising/ Development	Total
Salaries and wages	$ 54,730,794	$ 6,047,292	$ 1,291,858	$ 62,069,944
Fringe benefits	13,371,799	1,477,471	315,626	15,164,896
Consultants and contractual services	3,801,736	1,927,539	174,941	5,904,216
Professional fees	-	582,833	-	582,833
Travel, conferences and meetings	797,450	202,522	1,596	1,001,568
Occupancy	2,940,629	755,787	-	3,696,416
Telephone and utilities	1,196,866	508,399	-	1,705,265
Consumable supplies	7,642,117	641,835	5,311	8,289,263
Insurance	345,543	57,773	-	403,316
Equipment rental and maintenance	877,496	356,042	13,900	1,247,438
Postage	219,043	82,173	2,281	303,497
Dues, licenses and publications	317,265	1,902	55	319,222
Interest	825,681	107,799	-	933,480
Other	259,717	1,135,767	4,799	1,400,283
	87,326,136	13,885,134	1,810,367	103,021,637
Depreciation and amortization	1,839,291	442,806	-	2,282,097
	$ 89,165,427	$ 14,327,940	$ 1,810,367	$ 105,303,734

See independent auditors' report

The Institute for Family Health and Affiliates

Consolidated Schedule of Functional Expenses
Year Ended December 31, 2013

	Program Services	General and Administrative	Fundraising/ Development	Total
Salaries and wages	$ 49,399,414	$ 6,620,191	$ 1,331,331	$ 57,350,936
Fringe benefits	10,489,251	1,405,702	282,689	12,177,642
Consultants and contractual services	3,306,854	1,746,255	125,912	5,179,021
Professional fees	-	600,586	-	600,586
Travel, conferences and meetings	789,481	151,735	23,266	964,482
Occupancy	3,691,721	1,157,872	75,120	4,924,713
Telephone and utilities	1,214,704	521,473	703	1,736,880
Consumable supplies	6,250,123	397,021	17,811	6,664,955
Insurance	417,736	38,930	-	456,666
Equipment rental and maintenance	572,539	240,708	5,415	818,662
Postage	188,410	16,578	43,042	248,030
Dues, subscriptions and publications	282,021	-	7,586	289,607
Interest	1,122,654	408,554	-	1,531,208
Other	1,013,410	807,191	2,132	1,822,733
	78,738,318	14,112,796	1,915,007	94,766,121
Depreciation and amortization	1,570,081	674,949	-	2,245,030
	$ 80,308,399	$ 14,787,745	$ 1,915,007	$ 97,011,151

See independent auditors' report

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O'CONNOR DAVIES

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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*

Independent Auditors' Report

Board of Directors
The Institute for Family Health and Affiliates

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 The Institute for Family Health and Affiliates (the "Institute"), 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 and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 20, 2015.

Internal Control Over Financial Reporting

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute'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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor Davies, LLP

Harrison, New York
May 20, 2015

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Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditors' Report

Board of Directors
The Institute for Family Health and Affiliates

Report on Compliance for Each Major Federal Program

We have audited The Institute for Family Health and Affiliates' (the "Institute") 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 Institute's major federal programs for the year ended December 31, 2014. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute'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 Institute'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 Institute's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Institute 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 Institute 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 Institute'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 Institute'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.

O'Connor Davies, LLP

Harrison, New York
May 20, 2015

The Institute for Family Health and Affiliates

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Health Centers - Cluster			
Department of Health and Human Services Direct Programs			
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527	N/A	$ 2,853,907
Consolidated Health Centers	93.224	N/A	2,037,996
Total Department of Health and Human Services Direct Programs			4,891,903
Department of Health and Human Services Pass-Through Programs			
Passed-through Care for Homeless			
Consolidated Health Centers	93.224	N/A	695,727
Total Health Centers Cluster			5,587,630
Other Programs			
Department of Health and Human Services Direct Programs			
Affordable Care Act - Teaching Health Center Graduate Medical Education Payments Program	93.530	N/A	6,135,624
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	N/A	254,961
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	93.501	N/A	197,341
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	483,503
Medical Library Assistance	93.879	N/A	71,682
PPHF: Racial and Ethnic Approaches to Community Health by Public Prevention and Health Funds	93.738	N/A	69,884
State Planning and Establishment Grants for the Affordable Care Act (ACA) Exchanges	93.525	N/A	26,248
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	N/A	407,414
Total Department of Health and Human Services Direct Programs			7,646,657
Department of Health and Human Services Pass-Through Programs			
Passed-through Beth Israel			
Medical Assistance Program	93.778	N/A	220,182
Passed-through NYS Department of Health			
Medical Assistance Program	93.778	C021363	4,137
Passed-through Federation Employment and Guidance Services Inc.			
Medical Assistance Program	93.778	N/A	300,623
Passed-through Maternal Infant Services Network			
Medical Assistance Program	93.778	C028918	15,478
Passed-through Kingston Hospital			
Medical Assistance Program	93.778	N/A	299,373
Passed-through Mt. Sinai			
Medical Assistance Program	93.778	N/A	228,167
Passed-through Maternal Infant Services Network			
Medical Assistance Program	93.778	N/A	43,690
			1,111,650
Passed-through the City of New York Department of Health and Mental Hygiene			
Immunization Cooperative agreements	93.268	N/A	669,036
Passed-through Federation Employment and Guidance Service, Inc.			
Temporary Assistance for Needy Families	93.558	N/A	462,496

The Institute for Family Health and Affiliates

Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Passed-through Care for the Homeless			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	*N/A*	$ 192,813
PPHF: Racial and Ethnic Approaches to Community Health Financed Soley by Public Prevention and Health Funds	93.738	*N/A*	14,603
Passed-through Catskill Hudson Area Health Education Center			
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	*N/A*	14,474
Passed-through Fund for Public Health In New York, Inc.			
PPHF: Community Transfromation Grants and National Dissemination and Support for Community Transformation - Financed Solely by Prevention and Public Health Funds	93.531	*72INFHE-001*	128,036
Passed-through Health Research, Inc.			
HIV Care Formula Grants	93.917	*3428-06 & 3428-07*	119,895
Passed-through Maternal Infant Services Network			
Children's Health Insurance Program	93.767	*C028918*	1,059
Passed-through New York State Department of Health			
Social Services Block Grant	93.667	*N/A*	42,797
Passed-through Mt. Sinai School of Medicine			
Human Genome Research	93.172	*1U01HG007278-01*	149,156
Passed-through Mt. Sinai School of Medicine			
Minority Health and Health Disparities Research	93.307	*0255-0718-4609*	30,223
Passed-through New York State Department of Health			
Maternal and Child Health Services Block Grant to the States	93.994	*C022454*	152,844
Passed-through New York State Department of Health			
Maternal and Child Health Services Block Grant to the States	93.994	*C027540*	57,819
Passed-through New York State Department of Health			
Maternal and Child Health Services Block Grant to the States	93.994	*C026581*	21,157
Passed-through New York State Department of Health			
Maternal and Child Health Services Block Grant to the States	93.994	*C028974*	148,432
Passed-through Public Health Solutions			
HIV Emergency Relief Project Grants	93.914	*10-MCM-642*	418,207
Total Department of Health and Human Services Pass-through			3,734,697
Total Department of Health and Human Services			16,968,984
Corporation for National and Community Service			
Passed-through National Association of Community Health Centers			
AmeriCorps	94.006	*10EDHMD002006*	179,321
United States Department of Agriculture			
Passed-through Federation Employment and Guidance Service, Inc.			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	*1-5219-8200-000-52ε*	393,122
Passed-through New York State Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	*C025773*	3,667,139
Total United States Department of Agriculture			4,060,261
Total Expenditures of Federal Awards			$ 21,208,566

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

The Institute for Family Health and Affiliates

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

NOTE 1 - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of The Institute of Family Health (the "Institute") under programs of the federal government for the year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Institute.

NOTE 2 - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles of Non-profit Organizations,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3 - For the year ended December 31, 2014, the Institute did not have any mortgage or loan funds that should be included in the federal expenditures presented in this Schedule.

NOTE 4 - The Institute provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Provided to Subrecipient
Medical Library Assistance	93.879	1G08LM011056-01	$ 28,430
Maternal and Child Health Services Block grant to the States	93.994	N/A	29,391
			$ 57,821

NOTE 5 - Of the federal expenditures presented in this Schedule, the Institute received $2,836,656 from CFDA #10.557 and $669,036 from CFDA #93.268, which are noncash items.

The Institute for Family Health and Affiliates

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_____ yes __X__ no
Significant deficiency(ies) identified?	_____ yes __X__ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	_____ yes __X__ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.224 & 93.527	Health Centers Cluster
93.526	Affordable Care Act (ACA) Grants for Capital Development in Health Centers
93.994	Maternal and Child Health Services Block Grant to the States
93.501	Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures
93.558	Temporary Assistance for Needy families (TANF)
93.914	HIV Emergency Relief Project Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$636,257
Auditee qualified as low-risk auditee?	__X__ yes _____ no

Section II - Financial Statement Findings

During our audit, we noted no material findings for the year ended December 31, 2014.

Section III- Federal Awards Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted program are questioned or recommended to be disallowed.

Section IV- Prior year findings

None