Open Door, Inc.
and Affiliates

Consolidated Financial and Compliance Report

December 31, 2012

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
Open Door, Inc. and Affiliates
Ossining, New York

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of Open Door, Inc. and Affiliates (collectively, the Corporation) as of December 31, 2012 and 2011, and the related consolidated statements of operations 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.

Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we 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 Corporation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual companies 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 consolidating 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 reports dated June 5, 2013 and May 23, 2012 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports 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 the internal control over financial reporting or on compliance. These reports are 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.

McGladrey LLP

New York, New York
June 5, 2013

Open Door, Inc. and Affiliates

Consolidated Balance Sheets
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 10,177,133	$ 6,306,019
Patient services receivable, net of allowance of $5,337,943 and $4,639,832	3,987,842	6,345,663
Contracts receivable	1,536,225	905,890
Prepaid expenses and other current assets	716,379	382,508
Pledges and contributions receivable	59,700	50,200
Total current assets	16,477,279	13,990,280
Investments	22,622,887	16,542,080
Property and Equipment:		
Land	1,740,016	1,740,016
Building	2,274,217	2,274,217
Building and leasehold improvements	13,318,535	13,312,328
Furniture and fixtures	3,414,468	3,135,311
Equipment	3,356,223	3,330,400
Construction-in-progress	2,567,378	2,056,389
	26,670,837	25,848,661
Less accumulated depreciation and amortization	12,865,893	11,696,072
Net property and equipment	13,804,944	14,152,589
Debt Service Reserve Fund	555,778	555,778
Security Deposits	39,350	62,974
Total assets	$ 53,500,238	$ 45,303,701
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,126,640	$ 868,129
Accrued compensation and benefits	1,956,658	1,447,108
Deferred revenue	116,493	41,550
Current maturities on long-term debt	311,194	289,091
Current maturities on capital lease	20,945	44,958
Total current liabilities	3,531,930	2,690,836
Pension Liability, less current portion	3,155,573	2,676,814
Long-Term Debt, less current maturities	3,139,207	3,450,401
Long-Term Lease Obligations, less current maturities	-	19,556
Total liabilities	9,826,710	8,837,607
Commitments and Contingencies		
Net Assets:		
Unrestricted	43,540,695	36,292,183
Temporarily restricted	132,833	173,911
Total net assets	43,673,528	36,466,094
Total liabilities and net assets	$ 53,500,238	$ 45,303,701

See Notes to Consolidated Financial Statements.

Open Door, Inc. and Affiliates

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2012 and 2011

	2012	2011
Unrestricted Revenue and Support:		
Revenue:		
Patient services, net of contractual	**$ 26,395,759**	$ 25,683,912
Provision for bad debt	**(1,109,110)**	(1,183,548)
Patient services, net of allowances	**25,286,649**	24,500,364
Other	**39,257**	15,558
	25,325,906	24,515,922
Support:		
Grants	**3,880,694**	3,849,783
Contract services	**4,059,425**	3,515,274
Contributions	**1,872,093**	1,325,219
Donated goods and services	**304,609**	257,691
	10,116,821	8,947,967
Total revenue and support	**35,442,727**	33,463,889
Expenses:		
Salaries and wages	**17,073,471**	15,467,209
Fringe benefits	**3,445,524**	3,234,056
Consultants and contractual services	**1,984,427**	865,275
Depreciation and amortization	**1,229,243**	1,365,921
Supplies	**1,224,529**	1,048,580
Occupancy	**998,593**	1,142,210
Pharmaceuticals	**632,952**	668,519
Healthcare consultants	**572,524**	491,016
Laboratory and radiology fees	**491,923**	435,841
Fundraising	**406,402**	98,505
Telephone	**378,380**	356,005
Other	**316,949**	349,512
Professional fees	**284,109**	250,355
Repairs and maintenance	**276,975**	242,308
Interest	**268,075**	332,281
Insurance	**259,898**	186,431
Travel, conferences and meetings	**218,023**	195,203
Data processing	**212,197**	249,792
Dues and subscriptions	**131,987**	147,115
Printing, publications and postage	**97,923**	123,325
Equipment rental	**84,995**	117,958
Personnel recruitment	**74,945**	73,808
Total expenses	**30,664,044**	27,441,225
Operating income	**4,778,683**	6,022,664

(continued)

Open Door, Inc. and Affiliates

Consolidated Statements of Operations and Changes in Net Assets (continued)
Years Ended December 31, 2012 and 2011

	2012	2011
Other Income (Expense):		
Realized loss on investments	**$ (7,201)**	$ (21,142)
Investment income	**266,808**	210,511
Net assets released from restrictions	**190,228**	198,572
	449,835	387,941
Excess of revenue and support over expenses	**5,228,518**	6,410,605
Nonoperating Income (Expense):		
Unrealized gain (loss) on investments	**1,299,004**	(1,567)
Grants for capital expenditures	**181,255**	339,255
Contributions/contracts for capital expenditures	**1,181,742**	2,792,047
Loss on disposal of property and equipment	**(166)**	(834)
Pension-related changes other than net periodic pension cost	**(641,841)**	(495,849)
Net assets released from restrictions	**-**	20,000
Increase in unrestricted net assets	**7,248,512**	9,063,657
Temporarily Restricted Net Assets:		
Contributions for a specific purpose	**139,150**	210,000
Contributions for capital contributions	**10,000**	10,000
Net assets released from restrictions	**(190,228)**	(218,572)
(Decrease) increase in temporarily restricted net assets	**(41,078)**	1,428
Increase in net assets	**7,207,434**	9,065,085
Net Assets:		
Beginning	**36,466,094**	27,401,009
Ending	**$ 43,673,528**	$ 36,466,094

See Notes to Consolidated Financial Statements.

Open Door, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities:		
Change in net assets	**$ 7,207,434**	$ 9,065,085
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	**(1,299,004)**	1,567
Realized loss on investments	**7,201**	21,142
Depreciation and amortization	**1,229,243**	1,365,921
Provision for bad debts	**1,109,110**	1,183,548
Grants and contracts for capital contributions	**(1,362,997)**	(3,131,302)
(Increase) decrease in:		
Patient services receivable	**1,248,711**	(3,070,286)
Contracts receivable	**(630,335)**	(183,618)
Prepaid expenses and other current assets	**(333,871)**	(132,494)
Pledges and contributions receivable	**(9,500)**	112,400
Increase in:		
Accounts payable and accrued expenses	**258,511**	218,911
Accrued compensation and benefits	**509,550**	98,300
Deferred revenue	**74,943**	41,550
Accrued pension liability	**478,759**	560,879
Net cash provided by operating activities	**8,487,755**	6,151,603
Cash Flows From Investing Activities:		
Increase in security deposits	**(23,624)**	(1,200)
Purchases of property and equipment	**(881,598)**	(782,685)
Proceeds from sale of property and equipment	**-**	1,875
Purchase of investments	**(22,009,970)**	(22,810,055)
Sale of investments	**17,268,214**	17,303,823
Net cash used in investing activities	**(5,646,978)**	(6,288,242)
Cash Flows From Financing Activities:		
Grants for capital projects	**181,255**	339,255
Contracts for capital projects	**1,181,742**	2,792,047
Repayments of line of credit	**-**	(2,500,000)
Principal payments on long-term debt	**(289,091)**	(268,688)
Principal payments on capital lease	**(43,569)**	(129,302)
Net cash provided by financing activities	**1,030,337**	233,312
Net increase in cash and cash equivalents	**3,871,114**	96,673
Cash and Cash Equivalents:		
Beginning	**6,306,019**	6,209,346
Ending	**$ 10,177,133**	$ 6,306,019
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 268,075**	$ 332,281

See Notes to Consolidated Financial Statements.

Note 1. Organization

Open Door, Inc. (the Company) is the sole voting member of Open Door Family Medical Center, Inc. (the Center), Open Door Foundation, Inc. (the Foundation) and Open Door Leasing Corp. (Leasing). The Company, the Center, the Foundation and Leasing are collectively referred to as the Corporation. The Corporation consists of not-for-profit entities and a for-profit leasing company designed to provide and support services to a largely medically underserved population.

The consolidated financial statements include the accounts of the Corporation. All intercompany transactions and balances have been eliminated in consolidation.

The Center operates freestanding diagnostic and treatment centers as a Federally Qualified Health Center (FQHC) and is licensed under Article 28 of the New York State health law; the centers are located in Ossining, Sleepy Hollow, Port Chester and Mount Kisco, New York. The Center provides a broad range of health services to a largely medically underserved population.

The Foundation was incorporated to promote the health of the residents of Westchester County, New York, including the medically underserved community, by providing a coordinating organization that will collect and disseminate information about programs that will enhance the health and well-being of the public as well as consulting with healthcare providers and providing a forum for health-related issues in an attempt to promote the availability, accessibility and quality of healthcare in Westchester County. The Foundation will also solicit and administer contributions and grants for the benefit of hospitals in Westchester County, as defined in Article 28 of the public health law, including but not limited to the Center.

Leasing is a for-profit corporation that leases property and then subleases it to the Center and the Foundation. Leasing has the authority to issue 200 shares of common stock, no par value per share. The Center owns the only 10 shares issued and outstanding.

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.

Note 2. Significant Accounting Policies

Basis of presentation: The Corporation classifies its net assets into three categories, which are unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are reflective of revenues and expenses associated with the principal operating activities of the Corporation and are not subject to donor-imposed stipulations.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Corporation and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of operations and changes in net assets as assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated financial statements.

Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Corporation. There were no permanently restricted net assets as of December 31, 2012 and 2011.

Note 2. Significant Accounting Policies (Continued)

Results of operations: The consolidated statements of operations and changes in net assets include excess of revenue and support over expenses that represents the results of operations. Changes in unrestricted net assets, which are excluded from excess of revenue and support over expenses, consistent with industry practice, include unrealized gain (loss) on investments, grants, contributions and contracts of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets) and pension related changes other than net periodic pension cost.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The use of estimates and assumptions in the preparation of the accompanying consolidated financial statements is primarily related to the determination of net patient services receivable, pledges and contributions receivable, pension obligation and depreciation expense.

Cash and cash equivalents: The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

Patient services receivable: Accounts receivables are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Center analyzes 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 payor coverage exists for part of the bill), the Center records a significant provision for bad debts in the period of service on the basis of 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 if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Contracts receivable: Contracts receivable reflect amounts earned but not yet collected in which the Corporation expects to realize payment.

Pledges and contributions receivable: Pledges and contributions receivable include multi-year payment contributions received from foundations and individuals, consist of unconditional promises to give and are measured at their fair values.

Investments: Investments are reported in the consolidated balance sheets at fair value with any realized and unrealized gains and losses reported as increases or decreases in net assets in the accounting period in which they occur.

Note 2. Significant Accounting Policies (Continued)

The Corporation invests in a portfolio that contains common shares and bonds of publicly traded companies, U.S. government obligations, corporate bonds and equity securities. 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 would materially affect investment balances and the amounts reported in the consolidated financial statements.

Property and equipment: Property and equipment is recorded at cost or, if donated, at the fair value at the date of donation. Depreciation and amortization is recorded on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 40 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less. The Corporation capitalizes all purchases of property and equipment in excess of $2,500.

According to federal regulations, any equipment items obtained through federal funds are subject to a lien by the federal government. As long as the Center maintains its tax-exempt status, or so long as the equipment is used for its 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 equipment.

Operating leases: The Corporation leases various office spaces and equipment. Operating lease payments are expensed ratably over the rental period. Leases that include escalating lease payments are straight-lined over the noncancelable lease period.

Patient services revenue: The Center recognizes patient services revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who 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).

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. The Center provides care to certain patients under Medicaid and Medicare payment arrangements. Self-pay revenue is recorded at published charges with charitable allowances based on a sliding-fee scale deducted to arrive at net self-pay revenue.

Grants revenue: Grants are recognized as revenue when earned. Expense-driven grants are recognized in the period when expenditures have been incurred and all other grant requirements have been met. Grant funds received prior to the incurrence of the qualifying expenses are deferred.

At December 31, 2012 and 2011, the Center has received grants from governmental entities that have not been recorded in these consolidated financial statements. These grants require the Center to provide certain services during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to provide the funds allotted under the grants.

Contract revenue: Contract revenue is recognized when earned. Expense-driven contracts are recognized as revenue when the qualifying expenses have been incurred and all other contract requirements have been met, including the execution of the contract.

Contributions: Contributions are recorded at fair value when received or pledged. Amounts are recorded as temporarily or permanently restricted revenue if they have donor stipulations that limit the use of the donated assets. Bequests are recognized when the probate court declares the will valid. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Note 2. Significant Accounting Policies (Continued)

Donated goods and services: The Corporation receives various types of donated revenue including professional services and contributed tangible assets. Contributed professional services are recognized if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided through donation. Contributed tangible assets are recognized at fair value when received.

Tax status: The Center and the Foundation were incorporated as not-for-profit corporations under the laws of the State of New York and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). The Company is exempt under Section 509(a)(3) of the Code. Therefore, there is no provision for income taxes on these entities. In addition, neither the Center nor the Foundation are classified as a private foundation. Leasing is a for-profit entity with minimal operations for the year; therefore, no material tax liability existed for 2012 and 2011.

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

Reclassifications: Certain amounts in the 2011 consolidated financial statements have been reclassified, with no effect on net assets or change in net assets, to conform to the 2012 presentation.

Note 3. Net Patient Services Revenue

The Center has agreements with third-party payors that provide for reimbursement to the Center at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Center's billings at list price and the amounts reimbursed by Medicare, Medicaid and certain other third-party payors and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the basis of reimbursement with major third-party payors follows:

Medicare: The Center is paid for patient care services rendered to Medicare program beneficiaries primarily under contractual agreement with National Government Services, a fiscal intermediary for Medicare Part A.

For the years ended December 31, 2012 and 2011, Medicare represented approximately 3% and 2%, respectively, of net patient services revenue from services provided.

Medicaid: The Center is paid for patient services rendered to Medicaid program beneficiaries primarily under contractual agreements with New York State Department of Health (NYSDOH).

For the years ended December 31, 2012 and 2011, Medicaid represented approximately 12% and 16%, respectively, of net patient services revenue from services provided.

Managed care plans: The Center is paid for patient services rendered to managed care program beneficiaries primarily under contractual agreements with third-party managed care organizations. Additional wraparound reimbursement by NYSDOH is paid on a per encounter basis. The wraparound amount is the difference between the Center's Medicaid Prospect Payment System (PPS) rate and the Center's average managed care rate.

For the years ended December 31, 2012 and 2011, managed care represented approximately 54% and 50%, respectively, of net patient services revenue from services provided.

Note 3. Net Patient Services Revenue (Continued)

Other third-party payors: The Center has also entered into reimbursement agreements with certain non-Medicaid commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes discounts from established charges and prospectively determined per diem rates.

For both of the years ended December 31, 2012 and 2011, other third-party insured represented approximately 2% of net patient services revenue from services provided.

Medication dispensary: The Center operates a 340b drug pricing program through a contractual agreement with four pharmacies. The services are available only to the Center's patients. These medications are paid for under contractual relationships with the patient's insurance plan or at a discounted rate for uninsured patients.

For the years ended December 31, 2012 and 2011, medication dispensary represented approximately 1% and 2%, respectively, of net patient services revenue from services provided for both years.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Center believes that it is in compliance with all applicable laws and regulations.

Note 4. Charity Care and Social Accountability

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. That estimate is made by calculating the difference between charges and the uncompensated charges associated with providing sliding fee discount to patients. The charges for providing uninsured services during the years ended December 31, 2012 and 2011 was approximately $9.8 million and $9.5 million, respectively. The amount collected from uninsured patients for the years ended December 31, 2012 and 2011 were approximately $2.1 million and $2.1 million, respectively. Funds received from the Federal Consolidated Health Centers grant and NYS Uncompensated Care to subsidize uninsured services provided for the years ended December 31, 2012 and 2011 were approximately $8.2 million and $7.2 million, respectively.

The cost of charity care provided during the years ended December 31, 2012 and 2011, approximated $8.5 million and $7.6 million, respectively, and was estimated by allocating total expenses incurred by the Center to the gross revenue earned serving patients under the sliding-fee scale.

Note 5. Concentration of Credit Risk

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	Net Receivables	
	2012	2011
Medicaid	**12 %**	17 %
Medicare	**1**	1
Other third-party payors	**1**	1
Self-pay	**2**	2
Managed care plans	**29**	15
Medication dispensary	**2**	2
New York State Uncompensated Care	**53**	62
	100 %	100 %

Note 6. Contracts Receivable

Contracts receivable consist of the following at December 31:

	2012	2011
New York State Department of Health -		
School-Based Health Center Program	**$ 36,736**	$ 45,901
Special Supplemental Nutrition Program		
for Women, Infants, and Children	**207,081**	25,333
New York State HCRA - School-Based Health Center Program	**145,972**	134,972
New York State Office of Children and Family Services		
Project LAUNCH	**187,500**	172,191
Westchester County Department of Health - Fit for Life		
Fit for Life Program	**15,021**	14,981
Ryan White Part A HIV Emergency Relief Project	**24,724**	22,837
Health Research, Inc.-Expanded HIV Testing	**30,159**	22,946
Hudson River Healthcare, Inc.		
CHIPRA	**54,000**	4,063
HEAL NY Phase 10	**181,381**	181,381
Hudson Information Technology for Community Health, Inc.:		
Cancer Services Program	**105,071**	34,490
HEAL NY Phase 17	**219,077**	62,496
National Association of Community Health Centers - AmeriCorps	**54,867**	20,590
New York Medical College - Residency Training in Primary Care	**33,000**	-
Phelps Memorial Hospital Center:		
Service Contract	**25,000**	160,242
Residency Program	**141,643**	-
Other	**74,993**	3,467
	$ 1,536,225	$ 905,890

Note 7. Investments and Fair Value Disclosures

The fair value of investments as of December 31, 2012 is as follows:

	Unrealized Gain (Loss)	Fair Market Value
U.S. government bonds	**$ 3,794,962**	**$ 4,194,160**
Corporate bonds	**(48,947)**	**8,928,354**
Equity securities	**(2,447,011)**	**9,500,373**
	$ 1,299,004	**$ 22,622,887**

The fair value of investments as of December 31, 2011 is as follows:

	Unrealized Gain (Loss)	Fair Market Value
U.S. government bonds	$ 2,401,626	$ 3,492,234
Corporate bonds	(85,192)	6,998,131
Equity securities	(2,318,001)	6,051,715
	$ (1,567)	$ 16,542,080

Investments, at fair value, consist of the following at December 31, 2012:

	Level 1	Level 2	Level 3	Total
U.S. Government Bonds:				
United States Treasury Note	**$ 394,160**	**$ -**	**$ -**	**$ 394,160**
U.S. Treasury	**3,800,000**	**-**	**-**	**3,800,000**
Corporate Bonds:				
Consumer products	**1,538,493**	**-**	**-**	**1,538,493**
Farm and construction	**207,615**	**-**	**-**	**207,615**
Financial services	**3,796,153**	**-**	**-**	**3,796,153**
Oil and gas	**113,850**	**-**	**-**	**113,850**
Pharmaceuticals	**338,920**	**-**	**-**	**338,920**
Real estate	**132,127**	**-**	**-**	**132,127**
Technology	**762,008**	**-**	**-**	**762,008**
Utilities	**473,695**	**-**	**-**	**473,695**
Other	**1,565,493**	**-**	**-**	**1,565,493**
Equity Securities:				
Consumer products	**3,194,115**	**-**	**-**	**3,194,115**
Financial services	**1,096,092**	**-**	**-**	**1,096,092**
Oil and gas	**1,032,167**	**-**	**-**	**1,032,167**
Pharmaceuticals	**1,611,130**	**-**	**-**	**1,611,130**
Other	**2,566,869**	**-**	**-**	**2,566,869**
	$ 22,622,887	**$ -**	**$ -**	**$ 22,622,887**

Note 7. Investments and Fair Value Disclosures (Continued)

Investments, at fair value, consist of the following at December 31, 2011:

	Level 1	Level 2	Level 3	Total
U.S. Government Bonds:				
Federal Farm Credit Bank	$ 200,026	$ 199,824	$ -	$ 399,850
Federal Home Loan Bank	-	300,009	-	300,009
U.S. Treasury	2,792,375	-	-	2,792,375
Corporate Bonds:				
Consumer products	810,313	-	-	810,313
Farm and construction	177,875	-	-	177,875
Financial services	2,413,601	-	-	2,413,601
Insurance	477,893	-	-	477,893
Oil and gas	918,804	-	-	918,804
Pharmaceuticals	656,475	-	-	656,475
Real estate	129,365	-	-	129,365
Technology	543,840	-	-	543,840
Utilities	49,935	-	-	49,935
Other	820,030	-	-	820,030
Equity Securities:				
Consumer products	2,480,615	-	-	2,480,615
Farm and construction	23,205	-	-	23,205
Financial services	777,784	-	-	777,784
Oil and gas	615,158	-	-	615,158
Pharmaceuticals	513,386	-	-	513,386
Technology	549,095	-	-	549,095
Utilities	157,717	-	-	157,717
Other	934,755	-	-	934,755
	$ 16,042,247	$ 499,833	$ -	$ 16,542,080

As described in Note 2, the Corporation records its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Corporation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Note 7. Investments and Fair Value Disclosures (Continued)

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability.

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. The Corporation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

For the fiscal years ended December 31, 2012 and 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent. U.S. government securities have been reassessed as Level 1 from Level 2 based on the latest market information. The following is a description of the valuation methodologies used for instruments measured at fair value.

U.S. Treasury and federal agency bonds: Valuation inputs utilized by the independent pricing service for those U.S. Treasury and federal agency securities under Level 1 or 2 based on the level of activity, include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications. Also included are data from the vendor trading platform.

Corporate bonds and equity securities: The fair value of corporate bonds and equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes that its valuation methods are appropriate and consistent with those of 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.

Note 8. Line of Credit

The Center has a revolving line of credit of $2,500,000 that expires on February 1, 2015. The line of credit is secured by the building in Ossining. This agreement requires interest to be charged on the outstanding balance at the rate of 2.30%. At December 31, 2012 and 2011, the Center had no outstanding balance.

Note 9. Long-Term Debt

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

	2012	2011
Loan payable - the Center entered into a mortgage loan with Primary Care Development Corporation ("PCDC") on April 29, 2006 for $5,030,000, with a maturity date of April 30, 2021. The loan's interest is 7.39%. The loan is secured by the property located in Port Chester, New York. At December 31, 2012 and 2011, the debt service reserve fund amounted to $555,778 for both years, which is held by PCDC to ensure repayment of mortgage obligations.	**$ 3,450,401**	$ 3,739,492
Less current maturities	**311,194**	289,091
Long-term portion	**$ 3,139,207**	$ 3,450,401

The aggregate amount of principal payments on long-term debt during the years following December 31, 2012 is as follows:

Year ending December 31,	
2013	$ 311,194
2014	334,986
2015	360,598
2016	388,167
2017	417,845
Thereafter	1,637,611
	$ 3,450,401

Note 10. Capital Lease

The Corporation entered into a capital lease agreement with Dell Financial Services on August 25, 2010 for $120,543. The lease term is for three years with an interest of 3.108%. The following is a summary of equipment held under capital leases:

	2012	2011
Equipment	**$ 120,543**	$ 120,543
Less accumulated depreciation	**100,452**	60,271
	$ 20,091	$ 60,272

Note 10. Capital Lease (Continued)

The aggregate amount of principal payments on the lease during the year following December 31, 2012 is $21,216:

Total minimum lease payments	$ 21,126
Less amount representing interest	181
Present value of net minimum lease payments	$ 20,945

Note 11. Restricted Net Assets

Temporarily restricted net assets held by the Corporation and changes thereto are summarized below, and are available for the following purposes as of December 31, 2012:

	Beginning Balance	Net Asset Additions	Net Assets Released	Ending Balance
Capital projects	$ 90,000	$ 10,000	$ -	$ 100,000
Specific purpose	83,911	139,150	(190,228)	32,833
	$ 173,911	$ 149,150	$ (190,228)	$ 132,833

Temporarily restricted net assets held by the Corporation and changes thereto are summarized below, and are available for the following purposes as of December 31, 2011:

	Beginning Balance	Net Asset Additions	Net Assets Released	Ending Balance
Capital projects	$ 100,000	$ 10,000	$ (20,000)	$ 90,000
Specific purpose	68,667	210,000	(194,756)	83,911
Time-restricted	3,816	-	(3,816)	-
	$ 172,483	$ 220,000	$ (218,572)	$ 173,911

Note 12. Functional Expenses

Expenses were incurred and allocated as follows for the years ended December 31:

	2012	2011
Program services	**$ 23,939,651**	$ 20,642,642
General and administrative	**5,839,475**	6,234,558
Fundraising	**884,918**	564,025
	$ 30,664,044	$ 27,441,225

Note 13. Contract Services

Contract services revenue consists of the following for the years ended December 31:

	2012	2011
New York State Department of Health:		
Special Supplemental Nutrition Program for Women, Infants, and Children	**$ 709,977**	$ 603,976
School-Based Health Center Program	**101,979**	116,687
Women Organized Around Wellness	**-**	37,031
New York State HCRA: School-Based Health Center Program	**109,479**	134,972
New York State Office of Children and Family Services: Project LAUNCH	**814,056**	690,376
Hudson River Healthcare, Inc. - HEAL NY Phase 10	**-**	398,696
Hudson River Healthcare, Inc. - CHIPRA	**166,735**	4,063
Hudson Information Technology for Community Health, Inc.:		
Cancer Services Program	**70,581**	-
HEAL NY Phase 17	**219,077**	62,496
Westchester County Department of Health:		
Self-Pay Differential	**525,678**	525,678
Ryan White Part A HIV Emergency Relief Project	**151,995**	144,316
Fit for Life Program	**45,000**	19,155
Health Research, Inc.:		
Expanded HIV Testing for Disproportionately Affected Populations	**75,000**	156,029
Hudson Health Plan	**-**	7,500
National Association of Community Health Centers AmeriCorps	**129,730**	113,993
New York Medical College -Residency Training in Primary Care	**161,647**	-
Phelps Memorial Hospital Center:		
Service Contract	**300,000**	300,000
Residency Program	**395,509**	60,242
Other	**82,982**	140,064
	$ 4,059,425	$ 3,515,274

Note 14. Pension Plans

The Corporation sponsored a non contributory defined benefit pension plan that covered substantially all employees at the time. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the Corporation and compensation rates at the time the plan was frozen. Contributions to the plan reflect benefits attributed to employees' services. Plan assets consist primarily of group annuity contracts and common collective trust funds with Neuberger Berman. During 2003, the Corporation amended the plan, which resulted in a plan curtailment. Benefits were frozen and the Corporation will be required to fund minimum amounts annually to maintain the funding status of the plan. The accumulated benefit obligation (ABO) is the same as the projected benefit obligation (PBO) because the compensation rates have been frozen.

The Corporation is required to (a) recognize the overfunded or underfunded status of a single-employer defined benefit plan as an asset or liability in its consolidated balance sheets and recognize changes in that funded status in changes in unrestricted net assets in the year in which the changes occur, and (b) measure the funded status of a plan as of the date of its year-end consolidated balance sheets, with limited exceptions.

Plan assets are targeted to be invested in various asset classes as follows; (i) 34% to government and equity securities; (ii) 43% to corporate bonds; (iii)14% to cash and cash equivalents and (iv) 10% to high yield investments . The investment policy covering pension asset is established by the Finance Committee of the board of directors for the Corporation. This Committee meets on a semiannual basis and makes periodic changes to the policy. The investment policy is furthermore utilized as the basis for determining the long-term return assumption for the assets. Historical data, combined with future expected returns of each assets class are the primary components utilized in developing this assumption. Additional information, such as specific manager performance and risk characteristics are also included in the assessment of the long-term rate of return assumption. The plan reviews the Citigroup yield curve as of each plan year-end to determine the appropriate discount rate to calculate the year-end benefit plan obligation and the following year’s net periodic pension cost.

The primary objective of the pension fund investment is to provide for a long-term growth of capital without undue exposure to risk. A secondary objective is placed on income generation to assist in providing funds for distributions to participants.

These objectives shall be accomplished utilizing a strategy of equities, alternative investments, fixed income and cash equivalents in a mix that is conducive to participation in rising markets while allowing for protection in falling markets.

The following table summarizes the benefit obligation, fair value of assets and funded status in the Corporation's consolidated financial statements based on the measurement date of December 31,:

	2012	2011
Projected benefit obligation	**$ 8,402,907**	$ 7,258,241
Fair value of plan assets	**5,247,334**	4,581,427
Funded status (plan assets less projected benefit obligation)	**$ (3,155,573)**	$ (2,676,814)

Note 14. Pension Plans (Continued)

	2012	2011
Amounts recognized on the consolidated balance sheets as:		
Noncurrent assets	**$ -**	$ -
Current liabilities	**-**	-
Noncurrent liabilities	**3,155,573**	2,676,814

Net periodic pension cost and other amount recognized in change in unrestricted net assets:

	2012	2011
Net periodic pension cost	**$ 393,471**	$ 374,274
Other changes in plan assets and benefit obligations recognized in change in unrestricted net assets:		
Net loss	**$ 956,512**	$ 751,056
Prior service (credit) cost	**-**	-
Amortization of trasition asset (obligation)	**-**	-
Amortization of prior service (credit) cost	**-**	-
Amortization of net loss	**(314,671)**	(255,207)
Total recognized as nonoperating expense	**$ 641,841**	$ 495,849
Total recognized in change in unrestricted net assets	**$ 1,035,312**	$ 870,123

The cumulative amounts recognized in nonoperating income (expense) consist of the following through December 31, 2012 and 2011:

	2012	2011
Transition asset/(obligation)	**$ -**	**$ -**
Prior service credit/(cost)	**-**	**-**
Gain/(loss)	**(3,373,556)**	(2,731,715)
	$ (3,373,556)	$ (2,731,715)

The estimated net gain/loss, transition asset/(obligation) and prior service credit/(cost) for the plan that will be amortized into net periodic pension cost over the next fiscal year are ($405,000), $0, and $0 respectively.

	2012	2011
Assumptions used in calculations:		
In computing ending obligations:		
Discount rate	**4.00%**	5.00%
Expected long-term rate of return on plan assets	**7.00%**	7.00%
Rate of compensation increase	**N/A**	N/A
In computing net periodic benefit cost:		
Discount rate	**5.00%**	5.60%
Expected long-term rate of return on plan assets	**7.00%**	7.00%
Actual/estimated assets	**Actual**	Actual

Note 14. Pension Plans (Continued)

	2012	2011
Plan assets are categorized as follows:		
Mutual funds and money market accounts	**10%**	16%
Bonds	**48%**	52%
Equity stocks	**42%**	32%
	100%	100%

Cash Flows	
Employer contributions:	
2011 (actual)	$ 309,244
2012 (actual)	556,553
2013 (estimated)	531,514
Benefit payments:	
2011	$ 275,052
2012	305,455

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year ending December 31,	
2013	$ 268,369
2014	331,127
2015	370,273
2016	365,270
2017	360,732
2018-2022	2,218,781

Note 14. Pension Plans (Continued)

The fair values of pension plan assets, by fair value hierarchy as described in Note 7, were determined in a manner similar to that discussed in Note 7 and are as follows for 2012 and 2011:

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash Equivalents:				
Money Market Fund	**$ 16,449**	**$ -**	**$ -**	**$ 16,449**
U.S. Treasury Bill	**465,158**	**-**	**-**	**465,158**
Bonds:				
U.S. Government	**186,823**	**-**	**-**	**186,823**
Corporate	**2,346,013**	**-**	**-**	**2,346,013**
Foreign	**-**	**-**	**-**	**-**
Equity Securities:			**-**	
ETF	**39,000**	**-**	**-**	**39,000**
Consumer Products	**689,722**	**-**	**-**	**689,722**
Farm and Construction	**-**	**-**	**-**	**-**
Financial Services	**210,588**	**-**	**-**	**210,588**
Pharmaceuticals	**325,861**	**-**	**-**	**325,861**
Technology	**71,831**	**-**	**-**	**71,831**
Transportation	**80,392**	**-**	**-**	**80,392**
Utilities	**249,024**	**-**	**-**	**249,024**
Other	**566,473**	**-**	**-**	**566,473**
	$ 5,247,334	**$ -**	**$ -**	**$ 5,247,334**

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash Equivalents:				
Money Market Fund	$ 25,420	$ -	$ -	$ 25,420
U.S. Treasury Bill	685,781	-	-	685,781
Bonds:				
U.S. Government	259,172	149,937	-	409,109
Corporate	1,889,550	-	-	1,889,550
Foreign	96,428	-	-	96,428
Equity Securities:				
Consumer Products	472,302	-	-	472,302
Farm and Construction	95,434	-	-	95,434
Financial Services	181,714	-	-	181,714
Pharmaceuticals	161,717	-	-	161,717
Technology	116,572	-	-	116,572
Transportation	46,995	-	-	46,995
Utilities	153,454	-	-	153,454
Other	246,951	-	-	246,951
	$ 4,431,490	$ 149,937	$ -	$ 4,581,427

Note 14. Pension Plans (Continued)

Effective October 17, 2007, the board of directors approved the implementation of a 401(k) plan, retroactive to January 1, 2007. Prior to 2010, the Corporation made discretionary matching contributions. Effective January 1, 2010, the plan was amended to have a safe-harbor provision. For 2012 and 2011, the Corporation matched up to 3½% of wages for eligible employees that approximated $377,000 and $329,000, respectively.

Note 15. Related Parties

The facilities at 2 Church Street occupied by the Center and the Foundation are rented by Leasing. The Center and the Foundation have an agreement with Leasing to sublease the facilities at a rental rate based on the rent paid by Leasing. In addition, the Center provides management to the Foundation. The Foundation provides the Center with contributions. The following amounts have been eliminated on the consolidated financial statements:

	Center	Foundation	Leasing	Net
Interfund receivable/payable	$ (49,895)	$ 47,395	$ 2,500	$ -
Rental income/expense	263,771	23,955	(287,726)	-
Management fee	(379,378)	379,378	-	-
	$ (165,502)	$ 450,728	$ (285,226)	$ -

Note 16. Commitments and Contingencies

Contract services: The Corporation 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 amounts in question.

Operating leases: The Corporation leases four sites under non-cancelable operating leases. Rent expense for the years ended December 31, 2012 and 2011 amounted to $435,500 and $410,826, respectively.

The approximate monthly payments for Mount Kisco, Church Street, Sleepy Hollow and Main Street locations range from $2,000 to $12,000. The leases expire beginning July 31, 2014 through December 31, 2022.

Future minimum rentals under noncancelable operating leases are as follows:

Year ending December 31,	
2013	$ 520,980
2014	484,083
2015	274,982
2016	234,353
2017	240,915
Thereafter	1,154,502
	$ 2,909,815

Note 16. Commitments and Contingencies (Continued)

Malpractice: The Center maintains its medical malpractice coverage under the Federal Tort Claims Act (FTCA). FTCA provides malpractice coverage to eligible Public Health Service (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.

The Corporation is involved in various claims and legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters will not have a material adverse impact on the consolidated financial position of the Corporation or the results of its operations.

Regulatory investigation: The Office of the Inspector General (OIG), other federal agencies and the New York State Department of Health and New York State Office of the Medicaid Inspector General (OMIG) routinely conduct regulatory investigations and compliance audits of healthcare providers. The Center is subject to these regulatory efforts. Management believes that there are no regulatory matters which may have a material effect on the Center's financial position or results of operations.

Patient Protection and Affordable Care and Reconciliation Act: On March 23, 2010, President Barack Obama signed into law the most sweeping healthcare reform legislation since the advent of Medicare. The law promised to expand insurance coverage to an additional 32 million Americans, reduce the growth of Medicare expenditures, dramatically reform insurance markets, and continue the march toward value-based payment. The Reconciliation Act amends various provisions of the Patient Protection and Affordable Care Act and adds some new provisions that were not originally included.

Note 17. Subsequent Events

The Corporation evaluates events occurring after the date of the consolidated financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the consolidated financial statements. Such evaluation is performed through the date the consolidated financial statements were available to be issued, which was June 5, 2013 for these consolidated financial statements.

On February 25, 2013, the Center acquired Jay A. Zaslow, M.D., PLLC, a New York professional service limited liability company located at 155 East Main Street, Brewster, New York 10509 (the Practice) for approximately $93,000, in order to establish the first federally qualified health center in Putnam County under the auspices of Open Door Family Medical Center, Inc.

Open Door, Inc. and Affiliates

Supplementary Information

Consolidating Balance Sheet
December 31, 2012
See Auditor's Report

	Center	Foundation	Leasing	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 9,688,359	$ 488,774	$ -	$ 10,177,133
Patient services receivable, net	3,987,842	-	-	3,987,842
Contracts receivable	1,536,225	-	-	1,536,225
Prepaid expenses and other current assets	704,995	11,384	-	716,379
Pledges and contributions receivable	59,700	-	-	59,700
Total current assets	15,977,121	500,158	-	16,477,279
Investments	15,981,092	6,641,795	-	22,622,887
Property and Equipment:				
Land	1,740,016	-	-	1,740,016
Building	2,274,217	-	-	2,274,217
Building and leasehold improvements	13,318,535	-	-	13,318,535
Furniture and fixtures	3,414,468	-	-	3,414,468
Equipment	3,316,519	39,704	-	3,356,223
Construction-in-progress	2,567,378	-	-	2,567,378
	26,631,133	39,704	-	26,670,837
Less accumulated depreciation and amortization	12,831,192	34,701	-	12,865,893
Net property and equipment	13,799,941	5,003	-	13,804,944
Debt Service Reserve Fund	555,778	-	-	555,778
Security Deposits	26,250	-	13,100	39,350
Total assets	$ 46,340,182	$ 7,146,956	$ 13,100	$ 53,500,238
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable and accrued expenses	$ 1,107,450	$ 15,200	$ 3,990	$ 1,126,640
Accrued compensation and benefits	1,956,658	-	-	1,956,658
Due (from) to affiliate	(49,895)	47,395	2,500	-
Deferred revenue	116,493	-	-	116,493
Current maturities on long-term debt	311,194	-	-	311,194
Current maturities on capital lease	20,945	-	-	20,945
Total current liabilities	3,462,845	62,595	6,490	3,531,930
Pension Liability, less current portion	3,155,573	-	-	3,155,573
Long-Term Debt, less current maturities	3,139,207	-	-	3,139,207
Total liabilities	9,757,625	62,595	6,490	9,826,710
Commitments and Contingencies				
Net Assets:				
Unrestricted net assets	36,549,724	6,984,361	6,610	43,540,695
Temporarily restricted	32,833	100,000	-	132,833
Total net assets	36,582,557	7,084,361	6,610	43,673,528
Total liabilities and net assets	$ 46,340,182	$ 7,146,956	$ 13,100	$ 53,500,238

Open Door, Inc. and Affiliates

Supplementary Information

Consolidating Statement of Operations and Changes in Net Assets
Year Ended December 31, 2012
See Auditor's Report

	Center	Foundation	Leasing	Eliminations	Total
Unrestricted Revenue and Support:					
Revenue:					
Patient services, net of contractual	$ 26,395,759	$ -	$ -	$ -	$ 26,395,759
Provision for bad debt	(1,109,110)	-	-	-	(1,109,110)
Patient services, net of allowances	25,286,649	-	-	-	25,286,649
Other	36,184	-	290,799	(287,726)	39,257
	25,322,833	-	290,799	(287,726)	25,325,906
Support:					
Grants	3,880,694	-	-	-	3,880,694
Contract services	4,059,425	-	-	-	4,059,425
Contributions	567,310	1,304,783	-	-	1,872,093
Donated goods and services	304,609	-	-	-	304,609
	8,812,038	1,304,783	-	-	10,116,821
Total revenue and support	34,134,871	1,304,783	290,799	(287,726)	35,442,727
Expenses:					
Salaries and wages	16,732,908	-	-	340,563	17,073,471
Fringe benefits	3,406,709	-	-	38,815	3,445,524
Consultants and contractual services	1,895,863	467,942	-	(379,378)	1,984,427
Supplies	1,223,648	881	-	-	1,224,529
Depreciation and amortization	1,222,672	6,571	-	-	1,229,243
Occupancy	972,629	26,292	287,398	(287,726)	998,593
Pharmaceuticals	632,952	-	-	-	632,952
Healthcare consultants	572,524	-	-	-	572,524
Laboratory and radiology fees	491,923	-	-	-	491,923
Fund raising	5,326	401,076	-	-	406,402
Telephone	378,020	360	-	-	378,380
Other	309,227	7,171	551	-	316,949
Professional fees	260,470	18,899	4,740	-	284,109
Repairs and maintenance	268,667	8,308	-	-	276,975
Interest	268,075	-	-	-	268,075
Insurance	259,898	-	-	-	259,898
Travel, conferences and meetings	212,769	5,254	-	-	218,023
Data processing	212,197	-	-	-	212,197
Dues and subscriptions	125,284	6,703	-	-	131,987
Printing, publications and postage	87,103	10,820	-	-	97,923
Equipment rental	84,995	-	-	-	84,995
Personnel recruitment	74,945	-	-	-	74,945
Total expenses	29,698,804	960,277	292,689	(287,726)	30,664,044
Operating income (loss)	4,436,067	344,506	(1,890)	-	4,778,683

(continued)

Open Door, Inc. and Affiliates

Supplementary Information

Consolidating Statement of Operations and Changes in Net Assets
Year Ended December 31, 2012
See Auditor's Report

	Center	Foundation	Leasing	Eliminations	Total
Other Income (Expense):					
Realized (loss) gain on investments	$ (16,737)	$ 9,536	$ -	$ -	$ (7,201)
Investment Income	173,916	92,892	-	-	266,808
Net assets released from restrictions	190,228	-	-	-	190,228
	347,407	102,428	-	-	449,835
Excess of revenue and support over expenses	4,783,474	446,934	(1,890)	-	5,228,518
Nonoperating Income (Expense):					
Unrealized gain on investments	825,892	473,112	-	-	1,299,004
Grants for capital expenditures	181,255	-	-	-	181,255
Contributions/contracts for capital expenditures	1,180,742	1,000	-	-	1,181,742
Loss on disposal of property and equipment	(166)	-	-	-	(166)
Pension-related changes other than net periodic pension cost	(641,841)	-	-	-	(641,841)
Increase (decrease) in unrestricted net assets	6,329,356	921,046	(1,890)	-	7,248,512
Temporarily Restricted Net Assets:					
Contributions for a specific purpose	149,150	(10,000)	-	-	139,150
Contributions for capital contributions	-	10,000	-	-	10,000
Net assets released from restrictions	(190,228)	-	-	-	(190,228)
Increase (decrease) in temporarily restricted net assets	(41,078)	-	-	-	(41,078)
Increase in net assets	6,288,278	921,046	(1,890)	-	7,207,434
Net Assets:					
Beginning	30,294,279	6,163,315	8,500	-	36,466,094
Ending	$ 36,582,557	$ 7,084,361	$ 6,610	$ -	$ 43,673,528

Open Door, Inc. and Affiliates

Supplementary Information

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Federal Entity/ Pass-Through Entity/ Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Direct programs:			
Consolidated Health Centers Program [4]	93.224	N/A	$ 3,461,288
ARRA - Grants to Health Center Programs	93.703	N/A	115,629
Drug Free Communities Support Program Grants	93.276	N/A	126,911
Affordable Care Act - Grants for School Based Health Center	93.501	N/A	65,626
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	237,196
SAMHSA - Projects of Regional and National Significance	93.243	N/A	55,299
Passed through New York State Department of Health:			
Maternal and Child Health Services Block Grant to the States	93.994	C022471	47,436
Passed through New York State Office of Children and Family Services:			
SAMHSA - Projects of Regional and National Significance	93.243	C026063	814,056
Passed through Westchester County Department of Health:			
HIV Emergency Relief Project Grants	93.914	N/A	151,995
Passed through Community Health Care Association of New York State, Inc.:			
ARRA - Grants to Health Center Programs	93.703	1H2LCS18172	12,875
Passed through Health Research, Inc.:			
Epidemiologic Research Studies of Acquired Immunodeficiency HIV Prevention Activities: Health Department Based	93.940	4136-01	75,000
Passed through New York Medical College:			
Grants for Training in Primary Care Medicine and Dentistry	93.884	D58HP23260	161,647
Passed through Hudson River Healthcare:			
Children's Health Insurance Program	93.767	1Z0CMS330864	166,735
Total U.S. Department of Health and Human Services			5,491,693
U.S. Department of Agriculture:			
Passed through New York State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) [2]	10.557	C025778	2,510,464
Corporation for National and Community Service:			
Passed through National Association of Community Health Centers:			
AmeriCorps	94.006	10EDHM002	129,730
Total federal awards			$ 8,131,887

Note 1. ***Basis of Presentation***

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

Note 2. *Food Funds*

The New York State Department of Health has informed the Corporation that they need to include the federal portion of the food funds (WIC checks) on the schedule of expenditures of federal awards. In accordance with accounting principles generally accepted in the United States of America, the food funds are not included on the consolidated statements of operations and changes in net assets since they are agency transactions. WIC checks with a fair market value of $1,914,438 were redeemed and were included in the amount above.

Note 3. *Subrecipients*

The Corporation provided no federal awards to subrecipients for the year ended December 31, 2012.

Note 4. *Affordable Care Act* (ACA)

Expenditures reported on the schedule related to Consolidated Health Centers (93.224) include expenditures of Affordable Care Act (ACA) Grants for New Expanded Services under the Health Center Program (CFDA #93.527).

McGladrey

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
Open Door, Inc. and Affiliates
Ossining, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Open Door, Inc. and Affiliates (the Corporation), which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2013.

Internal Control Over Financial Reporting

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

McGladrey LLP

New York, New York
June 5, 2013

McGladrey

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Board of Directors
Open Door, Inc. and Affiliates
Ossining, New York

Report on Compliance for Each Major Federal Program

We have audited Open Door, Inc. and Affiliates' (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, 2012. The Corporation's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned cost.

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, 2012.

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 controls 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 a 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Corporation as of and for the year ended December 31, 2012 and have issued our report thereon dated June 5, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

McGladrey LLP

New York, New York
June 5, 2013

Open Door, Inc. and Affiliates

Schedule of Findings and Questioned Costs
Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	__yes _√_ no
• Significant deficiency(ies) identified?	_yes _√_ none reported
Noncompliance material to financial statements noted?	__yes _√_ no

Federal Awards

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:	Unqualified
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 or Cluster
93.224 / 93.527	U.S. Department of Health and Human Services: Consolidated Health Centers/Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program
93.703	ARRA - Grants to Health Center Programs
10.557	U.S Department of Agriculture: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	_√_ yes __no

Schedule of Findings and Questioned Costs
Year Ended December 31, 2012

Section II - Findings Relating To The Financial Statement Audit as Required to be Reported In Accordance with *Government Auditing Standards* Generally Accepted in the United States of America

A. Significant Deficiencies or Material Weaknesses in Internal Control

None Reported

B. Compliance Findings

None Noted

Section III - Findings and Questioned Costs for Federal Awards

A. Significant Deficiencies or Material Weaknesses in Internal Control

None Reported

B. Compliance Findings

None Noted

Open Door, Inc. and Affiliates

Status of Prior Audit Findings
Year Ended December 31, 2012

Item #	Description of Condition	Status of Corrective Action
11-01	As prescribed by 42 CFR 51C, the grantee shall secure payments from patients for services in accordance with the schedule of fees and discounts that has been adjusted based on the patient's ability to pay. Also, per program expectations (PIN 98-23), grantees are to maximize reimbursement from nonfederal sources. During the testing of the patient billing system, the following was noted: • 1 attestation form was missing. • 1 attestation form was outdated. • 3 client files had information that was not the same as on the attestation form. • 2 clients who should not have been classified with sliding fee adjustments.	The Center's Compliance Committee conducts monthly patient billing audits for uninsured patients, which includes verifying that proof of income is current and accurately entered into the practice management system. The staff received additional training and feedback to ensure that all required documents (proof of income or attestation form, insurance card) are scanned and entered correctly into the patient's electronic record in eClinicalWorks.