NEW ISSUE – BOOK-ENTRY ONLY

Moody's: Aa3
(See "RATING" herein)

DASNY

DAC Bond®

$28,185,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2021A

Consisting of:

$24,605,000 Subseries 2021A-1 | **$3,580,000 Subseries 2021A-2 (Federally Taxable)**

Dated: Date of Delivery | **Due: July 1, as shown on the inside cover**

Payment and Security: The InterAgency Council Pooled Loan Program Revenue Bonds, Series 2021A consisting of Subseries 2021A-1 (the "Subseries 2021A-1 Bonds") and Subseries 2021A-2 (Federally Taxable) (the "Subseries 2021A-2 Bonds;" and together with the Subseries 2021A-1 Bonds, the "Series 2021 Bonds") will be special limited obligations of the Dormitory Authority of the State of New York ("DASNY"). Principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2021 Bonds are payable solely from and secured by a pledge of the Revenues (described below) and the funds and accounts (other than the Arbitrage Rebate Fund) authorized by DASNY's InterAgency Council Pooled Loan Program Revenue Bond Resolution adopted on March 31, 2010, as supplemented (the "Resolution") and established with respect to the Series 2021 Bonds by the Series 2021A Resolution Authorizing Up To $40,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2021A, adopted May 5, 2021 (the "Series 2021 Resolution"), including a Debt Service Reserve Fund.

The Revenues pledged to the payment of the Series 2021 Bonds are comprised of certain payments to be made under separate Loan Agreements dated as of May 5, 2021 (each a "Series 2021 Loan Agreement"), between DASNY and each of the following members of the InterAgency Council of Developmental Disabilities Agencies, Inc., each of which is a New York State not-for-profit corporation: Citizens Options Unlimited, Inc., Community Services Support Corporation and Nassau County AHRC Foundation, Inc. (which shall be considered a single Series 2021 Participant), Developmental Disabilities Institute, Inc., HASC Center, Inc., HeartShare Human Services of New York, The Institutes of Applied Human Dynamics Inc., QSAC, Inc. and Young Adult Institute, Inc. (each a "Series 2021 Participant" and collectively, the "Series 2021 Participants").

Each Series 2021 Loan Agreement is a general obligation of the respective Series 2021 Participant to pay, in addition to certain fees and expenses, only its Allocable Portion of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2021 Bonds corresponding to such Series 2021 Participant's proportionate share of the proceeds of the Series 2021 Bonds loaned to it by DASNY, and to maintain its Allocable Portion of the Debt Service Reserve Fund Requirement. Payment of amounts due under the Series 2021 Loan Agreements are several and not joint obligations of the Series 2021 Participants. Each of the Series 2021 Participant's obligations under its respective Series 2021 Loan Agreement will be secured by a security interest in certain revenues of such Series 2021 Participant granted to DASNY and pledged and assigned to the Trustee.

A DEFAULT BY ANY ONE OR MORE OF THE SERIES 2021 PARTICIPANTS UNDER THEIR RESPECTIVE SERIES 2021 LOAN AGREEMENTS MAY RESULT IN A DEFAULT UNDER THE RESOLUTION AND THE SERIES 2021 RESOLUTION WITH RESPECT TO SUCH SERIES 2021 PARTICIPANT'S ALLOCABLE PORTION OF THE SERIES 2021 BONDS; HOWEVER, ANY LIABILITY WITH RESPECT TO SUCH DEFAULT IS LIMITED SOLELY TO THE SERIES 2021 PARTICIPANT OR SERIES 2021 PARTICIPANTS THAT ARE IN DEFAULT, WITHOUT RIGHT OF CONTRIBUTION FROM THE NON-DEFAULTING SERIES 2021 PARTICIPANTS. ANY SUCH DEFAULT, HOWEVER, COULD RESULT IN A DEFAULT IN PAYMENT OF THE SERIES 2021 BONDS.

The Series 2021 Bonds will not be a debt of the State of New York nor will the State of New York be liable thereon. DASNY has no taxing power.

Description: The Series 2021 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple in excess thereof. Interest (due January 1, 2022 and each July 1 and January 1 thereafter) on the Series 2021 Bonds will be payable by check mailed to the registered owners thereof and principal and Redemption Price of the Series 2021 Bonds will be payable at the principal corporate trust office of The Bank of New York Mellon, New York, New York, the Trustee and Paying Agent, or at the option of the holder of at least $1,000,000 principal amount of the Series 2021 Bonds by wire transfer, as more fully described herein.

The Series 2021 Bonds will be issued as fully registered bonds and when issued initially will be issued in book-entry form, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Series 2021 Bonds. Purchases of beneficial ownership interests in the Series 2021 Bonds may be made only through the DTC book-entry system. Beneficial Owners (as defined herein) of the Series 2021 Bonds will not receive certificates representing their interests in the Series 2021 Bonds. See "PART 3 - THE SERIES 2021 BONDS – Book-Entry-Only System" herein.

Redemption and Purchase in Lieu of Redemption: The Series 2021 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as more fully described herein.

Tax Matters: In the respective opinions of Barclay Damon LLP and Lewis & Munday, A Professional Corporation, Co-Bond Counsel to DASNY, under existing law and assuming compliance with certain covenants described herein and the accuracy and completeness of certain representations, certifications of fact and statements of reasonable expectations made by DASNY, the Series 2021 Participants, as applicable, and others, interest on the Subseries 2021A-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel are further of the opinion that interest on the Subseries 2021A-1 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code. In the opinion of Co-Bond Counsel, interest on the Subseries 2021A-2 Bonds is not excluded from gross income for federal income tax purposes. Co-Bond Counsel are further of the opinion that, under existing statutes, interest on the Series 2021 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers). See "PART 10 – TAX MATTERS" herein regarding certain other tax considerations.

The Series 2021 Bonds are offered, when, as and if issued by DASNY, subject to prior sale, withdrawal or modification of the offer without notice, and subject to the approval of legality by Barclay Damon LLP, Albany, New York, and Lewis & Munday, A Professional Corporation., New York, New York, Co-Bond Counsel to DASNY. Certain legal matters will be passed upon for the Series 2021 Participants by Cullen and Dykman, LLP, Albany, New York and for the Underwriter by McCarter & English, LLP, New York, New York and Newark, New Jersey. DASNY expects to deliver the Series 2021 Bonds in definitive form in Albany, New York on or about June 23, 2021.

MUNICIPAL CAPITAL MARKETS GROUP, INC.

June 10, 2021

$28,185,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2021A

Consisting of:

$24,605,000 Subseries 2021A-1

Consisting of:

$8,285,000 Serial Bonds

Maturing July 1	Principal Amount	Coupon	Yield	CUSIP[(1)]
2022	$ 250,000	4.00%	0.46%	65000BBE7
2023	260,000	4.00	0.49	65000BBF4
2024	590,000	4.00	0.60	65000BBG2
2025	915,000	4.00	0.77	65000BBH0
2026	935,000	4.00	0.92	65000BBJ6
2027	990,000	4.00	1.06	65000BBK3
2028	1,020,000	4.00	1.19	65000BBL1
2029	1,060,000	4.00	1.31	65000BBM9
2030	1,115,000	4.00	1.42	65000BBN7
2031	1,150,000	4.00	1.47	65000BBP2

$5,795,000 2.125% Term Bond due July 1, 2036 to Yield 2.35% CUSIP[(1)] 65000BBQ0

$5,925,000 2.25% Term Bond due July 1, 2041 to Yield 2.57% CUSIP[(1)] 65000BBR8

$4,600,000 4.00% Term Bond due July 1, 2046 to Yield 2.10%[(2)] CUSIP[(1)] 65000BBS6

$3,580,000
Subseries 2021A-2
(Federally Taxable)

$2,785,000 1.15% Term Bond due July 1, 2026 to Yield 1.24% CUSIP[(1)] 65000BBT4

$370,000 2.184% Term Bond due July 1,2031 to Yield 2.184% CUSIP[(1)] 65000BBU1

$425,000 3.14% Term Bond due July 1, 2036 to Yield 3.14% CUSIP [(1)] 65000BBV9

(2) Yield calculated to first optional call date of July 1, 2031.

No dealer, broker, salesman or other person has been authorized by DASNY, the Series 2021 Participants or the Underwriter to give any information or to make any representations with respect to the Series 2021 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representation must not be relied upon as having been authorized by DASNY, the Series 2021 Participants or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2021 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the Series 2021 Participants, the InterAgency Council of Developmental Disabilities Agencies, Inc. (the "Program Facilitator") and other sources that DASNY believes are reliable. DASNY does not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of DASNY. DASNY does not directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the Series 2021 Participants or the Program Facilitator, (2) the sufficiency of the security for the Series 2021 Bonds, or (3) the value or the investment quality of the Series 2021 Bonds.

Each Series 2021 Participant has reviewed the portions of this Official Statement describing such Series 2021 Participant, its Series 2021 Facilities, its Mortgages, if any, its Collateral Assignment of Leases, if any, including "PART 1 – INTRODUCTION" (but solely with respect to the headings "The Series 2021 Participants," "Additional Security – Pledged Revenues and Standby Intercepts," "The Mortgages" and "Collateral Assignment of Leases"), "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS – Security for the Series 2021 Bonds - Pledged Revenues – Intercept Funds," " – Security for the Series 2021 Bonds – Mortgages" and " – Collateral Assignment of Leases," "PART 3 – THE SERIES 2021 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2021 Bonds," "PART 4 - THE SERIES 2021 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE," "PART 6 - ESTIMATED SOURCES AND USES OF FUNDS," "PART 11 - BONDHOLDERS' RISKS," "PART 15 – CONTINUING DISCLOSURE," "PART 18 – INDEPENDENT PUBLIC ACCOUNTANTS," and the information relating to it contained in Appendices A, B and C. It is a condition to the sale and delivery of the Series 2021 Bonds that each Series 2021 Participant certify that, as of each such date, such parts and such information do not contain any untrue statement of a material fact and do not omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which the statements were made, not misleading. The Series 2021 Participants make no representations as to the accuracy or completeness of any other information included in this Official Statement.

The Program Facilitator has reviewed the portions of this Official Statement describing itself and the information contained in "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE" and "PART 11 - BONDHOLDERS' RISKS." It is a condition to the sale and delivery of the Series 2021 Bonds that the Program Facilitator certify that, as of each such date, such parts and such information do not contain any untrue statement of a material fact and do not omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which the statements were made, not misleading. The Program Facilitator makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "budget," "intend," "projection" or other similar words. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those presently anticipated or projected. SEE ALSO "PART 11 - BONDHOLDERS' RISKS."

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibility to investors under the federal securities law, but the Underwriter does not guarantee the accuracy or completeness of such information.

References in this Official Statement to the Act, the Resolution, the Series 2021 Resolution and the Series 2021 Loan Agreements do not purport to be complete. Refer to the Act, the Resolution, the Series 2021 Resolution and the Series 2021 Loan Agreements for full and complete details of their provisions. Copies of the Resolution, the Series 2021 Resolution and the Series 2021 Loan Agreements are on file with DASNY and the Trustee.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of DASNY or the Series 2021 Participants have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2021 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2021 BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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DORMITORY AUTHORITY - STATE OF NEW YORK **515 BROADWAY, ALBANY, N.Y. 12207**
REUBEN MCDANIEL, III –PRESIDENT **ALFONSO L. CARNEY, JR. – CHAIR**

OFFICIAL STATEMENT
relating to
$28,185,000
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2021A
Consisting of:

$24,605,000 Subseries 2021A-1 **$3,580,000 Subseries 2021A-2 (Federally Taxable)**

PART 1 - INTRODUCTION

Purpose of Official Statement

The purpose of this Official Statement, which includes the cover page, the inside cover page and the appendices hereto, is to provide information about the Dormitory Authority of the State of New York ("DASNY"), Citizens Options Unlimited, Inc., Community Services Support Corporation and Nassau County AHRC Foundation, Inc. (which shall be considered a single Series 2021 Participant)(collectively, "Citizens"), Developmental Disabilities Institute, Inc. ("DDI"), HASC Center, Inc. ("HASC"), HeartShare Human Services of New York ("HeartShare"), The Institutes of Applied Human Dynamics Inc. ("IAHD"), QSAC, Inc. and Young Adult Institute, Inc. ("YAI") (collectively, the "Series 2021 Participants") in connection with the offering by DASNY of its $28,185,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2021A, consisting of $24,605,000 Subseries 2021A-1 Bonds and $3,580,000 Subseries 2021A-2 Bonds (Federally Taxable) (collectively, the "Series 2021 Bonds").

The following is a brief description of certain information concerning the Series 2021 Bonds, DASNY and the Series 2021 Participants. A more complete description of such information and additional information that may affect decisions to invest in the Series 2021 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain capitalized terms used in this Official Statement are defined in Appendix D hereto.

Purpose of the Issue

The Series 2021 Bonds are being issued for the purpose of (i) financing or refinancing a portion of the cost of the acquisition, construction, renovation and furnishing, as applicable, of certain facilities (collectively, the "Series 2021 Facilities") of the Series 2021 Participants for the provision of services to people with developmental disabilities or other special needs and the acquisition of equipment and other personal property with respect to such Series 2021 Facilities, (ii) making a deposit to each account of the Debt Service Reserve Fund securing the Series 2021 Bonds (the "Series 2021 Debt Service Reserve Fund") in an amount equal to the aggregate of each Series 2021 Participant's Allocable Portion of the Series 2021 Debt Service Reserve Fund Requirement (defined herein), and (iii) paying certain costs of issuance of the Series 2021 Bonds. The respective Loan Agreements entered into with DASNY by the Series 2021 Participants (the "Series 2021 Loan Agreements") require, in the aggregate, the payment of amounts sufficient to provide for the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments with respect to, and interest on, the Series 2021 Bonds as the same become due. See "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS." For a description of the Series 2021 Facilities being financed or refinanced with proceeds of the Series 2021 Bonds, see "Appendix A - Description of Series 2021 Participants."

Authorization of Issuance

The Act authorizes DASNY, among other things, to issue its bonds for the purpose of financing or refinancing the costs of the acquisition, construction, reconstruction, renovation, development, improvement, expansion and equipping of certain educational, administrative, clinical, day program, residential, and other attendant and related facilities of the not-for-profit members (each a "Participant") of the InterAgency Council of Developmental Disabilities Agencies, Inc., which members include the Series 2021 Participants.

The Resolution authorizes the issuance of multiple series of bonds (each a "Series of Bonds") pursuant to separate series resolutions (each a "Series Resolution"). Pursuant to the Resolution, each Series of Bonds issued thereunder, including the Series 2021 Bonds, is to be separately secured by (i) the funds and accounts established with respect to such Series of Bonds under a Series Resolution, and (ii) the Revenues pledged to such Series of Bonds and derived from payments made under the loan agreements entered into by DASNY and the applicable Participants in connection with the issuance of such Series of Bonds. Neither the funds and accounts established under a Series Resolution nor any loan agreement entered into or any mortgage or other security granted in connection with the issuance of a Series of Bonds shall secure any other Series of Bonds.

The Series 2021 Bonds will be issued pursuant to the Act, the Resolution and the Series 2021 Resolution. The term "Resolutions" shall mean the Resolution and the Series 2021 Resolution. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS."

DASNY

DASNY is a public benefit corporation of the State of New York (the "State"), created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, healthcare, governmental and not-for-profit institutions. See "PART 7 - DASNY."

The Program Facilitator

The InterAgency Council of Developmental Disabilities Agencies, Inc. (the "Program Facilitator") will act as the facilitator for the InterAgency Council Pooled Loan Program. The Program Facilitator is a not-for-profit membership organization voluntarily supported by approximately 150 not-for-profit service provider members (including the Series 2021 Participants) that conduct business throughout the State, but primarily in The City of New York metropolitan area. See "PART 4 - THE SERIES 2021 PARTICIPANTS."

The Series 2021 Participants

Each of the Series 2021 Participants is a not-for-profit corporation organized and existing under the laws of the State. See "PART 4 - THE SERIES 2021 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE," "Appendix A - Description of Series 2021 Participants," "Appendix B - Audited Financial Statements of Series 2021 Participants," and "Appendix C - Unaudited Financial Information of Series 2021 Participants."

Upon delivery of the Series 2021 Bonds, the Series 2021 Participants will receive loans from DASNY from the proceeds thereof in the following principal amounts, representing each Series 2021 Participant's Allocable Portion of each Subseries of the Series 2021 Bonds:

Series 2021 Participant	Subseries 2021A-1	Subseries 2021A-2	Total
Citizens Options Unlimited, Inc., Community Services Support Corporation and Nassau County AHRC Foundation, Inc.	$3,220,000	$195,000	$3,415,000
Developmental Disabilities Institute, Inc.	2,275,000	1,260,000	3,535,000
HASC Center, Inc.	0	1,045,000	1,045,000
HeartShare Human Services of New York	3,620,000	140,000	3,760,000
The Institutes of Applied Human Dynamics Inc.	4,155,000	360,000	4,515,000
QSAC, Inc.	5,970,000	410,000	6,380,000
Young Adult Institute, Inc.	5,365,000	170,000	5,535,000

No Series 2021 Participant is responsible for the payment obligations of any other Series 2021 Participant. If a Series 2021 Participant fails to pay amounts due under its Series 2021 Loan Agreement in respect of its Allocable Portion of the Series 2021 Bonds, DASNY's sole remedy will be against the defaulting Series 2021 Participant and no other Series 2021 Participant.

See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS - Events of Default - Special Provisions Relating to Defaults" and "Appendix F - Summary of Certain Provisions of the Resolutions." See also, "PART 3 - THE SERIES 2021 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

The Series 2021 Bonds

The Series 2021 Bonds are dated their date of delivery and bear interest from such date (payable January 1, 2022, and on each July 1 and January 1 thereafter) at the rates and will mature at the times set forth on the inside cover page of this Official Statement. See "PART 3 - THE SERIES 2021 BONDS - Description of the Series 2021 Bonds."

Payment of the Series 2021 Bonds

The Series 2021 Bonds are special, limited obligations of DASNY payable from the applicable Revenues, which consist of the aggregate of certain payments required to be made by the Series 2021 Participants pursuant to their respective Series 2021 Loan Agreements on account of the principal, Sinking Fund Installments and Redemption Price, if any, of and interest due on their respective Allocable Portions of the Outstanding Series 2021 Bonds. The Revenues are pledged and assigned to the Trustee.

Pursuant to its Series 2021 Loan Agreement, each Series 2021 Participant will be required to pay, among other things, its Allocable Portion of the principal, Sinking Fund Installments and Redemption Price of and interest due on the Outstanding Series 2021 Bonds, in each case corresponding to the proceeds of each maturity of each Subseries of the Series 2021 Bonds loaned to it by DASNY. The obligation of each Series 2021 Participant to make payments under its Series 2021 Loan Agreement constitutes a general obligation of such Series 2021 Participant. The payment obligations of the Series 2021 Participants under their respective Series 2021 Loan Agreements are several, not joint, and are not cross-collateralized with the obligations of any other Series 2021 Participant. For the purposes of a Series 2021 Loan Agreement delivered by more than one entity, such payment obligations are joint and several with respect to the entities comprising such Series 2021 Participant. For a listing of each Series 2021 Participant's Allocable Portion of the principal and Sinking Fund Installments of and interest on the Series 2021 Bonds, see "PART 3 – THE SERIES 2021 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2021 Bonds."

Security for the Series 2021 Bonds

The Series 2021 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues, the proceeds from the sale of the Series 2021 Bonds (until disbursed as provided by the Resolution) and all funds and accounts authorized by the Resolution and established by the Series 2021 Resolution (with the exception of the Arbitrage Rebate Fund), including the Series 2021 Debt Service Reserve Fund, which will be funded at its requirement upon issuance of the Series 2021 Bonds with proceeds of the Series 2021 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS - Security for the Series 2021 Bonds."

The Series 2021 Bonds are separately secured from all other Series of Bonds. The Holders of any Series of Bonds other than the Series 2021 Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2021 Bonds.

The Series 2021 Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

Additional Security - Pledged Revenues and Standby Intercepts

The Series 2021 Bonds will also be secured by the pledge and assignment to the Trustee of DASNY's security interest in the applicable Pledged Revenues granted by each of the Series 2021 Participants to DASNY pursuant to its Series 2021 Loan Agreement, subject to Prior Pledges. Certain of the Series 2021 Participants have previously pledged their Public Funds (a portion of which consists of the Pledged Revenues) to DASNY, an industrial development agency or a bank or another financial institution as security for the respective obligations of such Series 2021 Participants in connection with bonds previously issued by DASNY or such industrial development agency or lines of credit or other borrowings from financial institutions. In addition, certain Series 2021 Participants may, with the prior written consent of DASNY (such consent not to be unreasonably withheld or delayed), hereafter secure a line of credit with a Prior Pledge pursuant to its Series 2021 Loan Agreement. The pledge of the Pledged Revenues granted by each such Series 2021 Participant is subject and subordinate to such Prior Pledges in all respects. See "PART 4 - THE SERIES 2021 PARTICIPANTS" and "Appendix A - Description of Series 2021 Participants" for a description of each of the Series 2021 Participants, including their respective Prior Pledges of their respective Pledged Revenues.

Pledged Revenues are all of a Series 2021 Participant's Public Funds attributable to its Series 2021 Facilities. In the case of each Series 2021 Participant, Public Funds includes amounts payable by the State Office for People with Developmental Disabilities ("OPWDD") or another State agency in connection with all or a portion of the Series 2021 Participant's Series 2021 Facility or Facilities.

OPWDD has pre-approved pursuant to separate Prior Property Approvals (each a "PPA") each Series 2021 Facility for reimbursement of amounts calculated to be approximately sufficient to pay the principal and interest costs incurred by the related Series 2021 Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Series 2021 Facility, in each case subject to annual appropriation by the State Legislature and so long as such Series 2021 Participant operates the applicable Series 2021 Facility in accordance with certain defined standards. Assuming annual appropriation of sufficient funds and continued compliance with operational standards by the Series 2021 Participant, it is expected that the amounts received by such Series 2021 Participant pursuant to its respective PPAs will be approximately sufficient to pay the annual principal of and interest on its respective Allocable Portion of the Series 2021 Bonds for such Series 2021 Facility; any difference between the two amounts is expected to be covered by the Pledged Revenues of such Series 2021 Participant expected to be received from operating and administrative expenses associated with such Series 2021 Facility. See "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities."

The Pledged Revenues will be paid directly to each Series 2021 Participant and may be disposed of by such Series 2021 Participant for any of its corporate purposes. However, pursuant to the Act, the respective Series 2021 Loan Agreements, and separate agreements entered into by DASNY, each Series 2021 Participant and OPWDD (each an "Intercept Agreement"), upon the occurrence of certain events described herein, but subject to any Prior Pledges of the Pledged Revenues, DASNY may direct OPWDD to remit the Pledged Revenues payable by OPWDD to a Series 2021 Participant pursuant to its PPA or PPAs (the "Intercept Funds"), directly to DASNY or the Trustee for application to the payment of such Series 2021 Participant's Allocable Portion of the Outstanding Series 2021 Bonds.

Pledged Revenues of one Series 2021 Participant will not be available to satisfy the obligations of any other Series 2021 Participant. For the purposes of a Series 2021 Loan Agreement delivered by more than one entity, the Pledged Revenues of such Series 2021 Participant shall refer to the Pledged Revenues with respect to any and all entities comprising such Series 2021 Participant. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS - Security for the Series 2021 Bonds - Pledged Revenues - Intercept Funds" and "- Standby Intercepts." See also, "Appendix A - Description of Series 2021 Participants" and "Appendix E - Summary of Certain Provisions of the Series 2021 Loan Agreements."

The ability of each Series 2021 Participant to satisfy its payment obligations under its Loan Agreement with respect to its Allocable Portion of the Series 2021 Bonds and DASNY's ability to realize upon its security interests in the Pledged Revenues of each Series 2021 Participant are largely dependent upon the continued operation by each Series 2021 Participant of its Series 2021 Facilities. Such operation may be adversely affected by a number of risk factors, including, but not limited to, (i) the financial condition of the Series 2021 Participant and its ability to continue to generate sufficient revenues to support all of its facilities, including its Series 2021 Facilities, (ii) the continued compliance by the Series 2021 Participant with State and local operational standards with respect to its Series 2021 Facilities, and (iii) the continued commitment of Public Funds to support the programs and facilities operated by the Series 2021 Participant, particularly with respect to its Series 2021 Facilities, including continued appropriations by the State in amounts sufficient for OPWDD to make payments to the Series 2021 Participant pursuant to its PPA or PPAs. For a more detailed discussion of risk factors affecting the ability of the Series 2021 Participants to pay amounts owed under their respective Loan Agreements and the Pledged Revenues, as well as other risk factors affecting payment on the Series 2021 Bonds, see "PART 11 - BONDHOLDERS' RISKS." See also, "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE."

Limitations on Payment and Security Upon the Occurrence of Certain Events of Default

A failure by a Series 2021 Participant to timely pay its obligations under its Series 2021 Loan Agreement might result in an event of default under the Resolutions if either (a) such Series 2021 Participant's loan is accelerated in accordance with the provisions of its Series 2021 Loan Agreement, or (b) as a result of such nonpayment, there is failure to pay the principal, Sinking Fund Installments, and Redemption Price of and interest on the Series 2021 Bonds when due. In either event, the Resolution provides that an event of default will have occurred only with respect to the portion of each maturity of each Subseries of the Outstanding Series 2021 Bonds that corresponds to a principal installment on the defaulting Series 2021 Participant's loan under the terms of its Series 2021 Loan Agreement (referred to as the "Defaulted Allocable Portion"). The funds available for the payment of a Defaulted Allocable Portion of the Series 2021 Bonds are limited by the Resolution to only those Revenues payable by or on behalf of such defaulting Series 2021 Participant pursuant to its Series 2021 Loan Agreement, funds on deposit with the Trustee attributable to such Series 2021 Participant and amounts recovered upon the realization on any collateral granted to DASNY as security for such Series 2021 Participant's obligations under its Series 2021 Loan Agreement and pledged to the payment of the Series 2021 Bonds.

After the application of all such amounts to the payment of the Defaulted Allocable Portion of the Series 2021 Bonds following the acceleration or extraordinary mandatory redemption thereof in accordance with the Resolutions, such Defaulted Allocable Portion of the Series 2021 Bonds will be deemed paid and discharged and the event of default cured, whether or not payment in full of all of the principal of and interest on such Defaulted Allocable Portion has been made to the Holders thereof. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS - Events of Default - Special Provisions Relating to Defaults" and "Appendix F - Summary of Certain Provisions of the Resolutions." See also, "PART 3 - THE SERIES 2021 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

NO SERIES 2021 PARTICIPANT IS RESPONSIBLE FOR THE PAYMENT OBLIGATIONS OF ANY OTHER SERIES 2021 PARTICIPANT. IF A SERIES 2021 PARTICIPANT FAILS TO PAY AMOUNTS DUE UNDER ITS SERIES 2021 LOAN AGREEMENT IN RESPECT OF ITS ALLOCABLE PORTION OF THE SERIES 2021 BONDS, DASNY'S SOLE REMEDY WILL BE AGAINST THE DEFAULTING SERIES 2021 PARTICIPANT AND NO OTHER SERIES 2021 PARTICIPANT. FOR THE PURPOSES OF A SERIES 2021 LOAN AGREEMENT DELIVERED BY MORE THAN ONE ENTITY, THE PAYMENT OBLIGATIONS OF SUCH SERIES 2021 PARTICIPANT ARE JOINT AND SEVERAL ONLY WITH RESPECT TO THE ENTITIES COMPRISING SUCH SERIES 2021 PARTICIPANT.

The Mortgages

Except for HASC, each Series 2021 Participant's obligations under its Series 2021 Loan Agreement will be additionally secured by one or more mortgages (each a "Mortgage"; collectively, the "Mortgages") from such Series 2021 Participant to DASNY, granting a mortgage lien on all of its owned Series 2021 Facilities (except that DDI will not grant mortgages with respect to its owned Series 2021 Facilities located at 99 Hollywood Drive, Smithtown, New York), and by a security interest in the fixtures, furniture and equipment financed with the proceeds of the Series 2021 Bonds located therein or used in connection therewith, such liens and security interests subject to applicable Permitted Encumbrances. In the case of DDI, it will grant to DASNY a mortgage lien and security interest on only two of its four owned Series 2021 Facilities. See "PART 11—BONDHOLDERS' RISKS—Specific Risks Related to DDI's Series 2021 Facilities Located in Smithtown, New York" for a discussion of why there are no mortgages on DDI's Series 2021 Facilities located at 99 Hollywood Drive, Smithtown, New York. In the case of HeartShare, it will grant to DASNY a mortgage lien and security interest on only two of its three Series 2021 Facilities. In the case of YAI, it will grant to DASNY a mortgage lien and security interest on only one of its three Series 2021 Facilities. In the case of HASC, it will not grant a mortgage lien and security interest on its Series 2021 Facility.

The Mortgages do not presently provide any security for the Series 2021 Bonds. However, under certain circumstances described herein, one or more of the Mortgages are required to be assigned to the Trustee. Prior to any such assignment of a Mortgage to the Trustee, each Series 2021 Loan Agreement provides that DASNY, without the consent of the Trustee or the Holders of the applicable Series 2021 Bonds, may consent to the amendment, modification, termination, subordination or satisfaction of such Mortgage and of any security interest in furniture, fixtures or equipment financed with the proceeds of the Series 2021 Bonds located in or on or used in connection therewith and the property subject to such Mortgage or security interest may be released from the lien thereof, all upon such terms and conditions as DASNY may require. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS - Security for the Series 2021 Bonds - Mortgages."

With respect to (i) HASC's Series 2021 Facility located at 5601 1^{st} Avenue, Brooklyn, New York, (ii) HeartShare's Series 2021 Facility located in the Elton Site A-1 Condominium constituting a portion of Retail Unit 1 and all of Retail Unit 2 with an address of 1062 Elton Street a/k/a 122-42 Flatlands Avenue, Brooklyn, New York and (iii) YAI's Series 2021 Facilities located at 21-60 31^{st} Street, Astoria, New York and 111-20 115^{th} Street, 1^{st} and 2^{nd} Floors, South Ozone Park, New York (such Series 2021 Facilities are collectively referred to as the "Series 2021 Leased Facilities"), the respective Series 2021 Participants will not grant a mortgage lien and security interest to DASNY on such Series 2021 Facilities. With respect to the Series 2021 Leased Facilities, such Series 2021 Participant's obligations under its Series 2021 Loan Agreement with respect to its Series 2021 Leased Facilities will not be secured by any mortgage or real property security interest. See "PART 11—BONDHOLDERS' RISKS—Specific Risks Related to the Series 2021 Leased Facilities" for a discussion of why there are no mortgages on the Series 2021 Leased Facilities.

See "Appendix A - Description of Series 2021 Participants" for a description of (a) which Series 2021 Participants (i) own or lease their respective Series 2021 Facilities and (ii) will grant mortgages on their respective Series 2021 Facilities and (b) the nature of the mortgages on their respective Series 2021 Facilities.

Collateral Assignment of Leases

HASC leases its Series 2021 Facility located at 5601 1^{st} Avenue, Brooklyn, New York, HeartShare leases its Series 2021 Facility located in the Elton Site A-1 Condominium constituting a portion of Retail Unit 1 and all of Retail Unit 2 with an address of 1062 Elton Street a/k/a 122-42 Flatlands Avenue, Brooklyn, New York and YAI leases its Series 2021 Facilities located at 21-60 31^{st} Street, Astoria, New York and 111-20 115^{th} Street, 1^{st} and 2^{nd} Floors, South Ozone Park, New York (sometimes collectively referred to herein as the "Series 2021 Leased Facilities"). In order to secure its respective obligations under its Series 2021 Loan Agreement, each of HASC, HeartShare and YAI will collaterally assign to DASNY pursuant to a Collateral Assignment of Leases its right, title and interest (but not its obligations) in the lease or leases for its respective Series 2021 Leased Facility or Series 2021 Leased Facilities set forth above. Each landlord under each such lease has consented to such collateral assignment. See "PART 11—BONDHOLDERS' RISKS—Specific Risks Related to Series 2021 Leased Facilities."

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2021 Bonds and certain related covenants. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2021 Resolution and the Series 2021 Loan Agreements, copies of which are on file with DASNY and the Trustee. See also "Appendix E- Summary of Certain Provisions of the Series 2021 Loan Agreements" and "Appendix F - Summary of Certain Provisions of the Resolutions" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2021 Bonds

The Series 2021 Bonds are special, limited obligations of DASNY. The principal, Sinking Fund Installments, and Redemption Price of and interest on the Series 2021 Bonds are payable solely from the Revenues. With respect to the Series 2021 Participants, the Revenues consist of the aggregate of the payments required to be made by each of the Series 2021 Participants under its respective Series 2021 Loan Agreement on account of such Series 2021 Participant's Allocable Portion of (i) the principal, Sinking Fund Installments, and Redemption Price of and interest due on the Series 2021 Bonds, and (ii) the Series 2021 Debt Service Reserve Fund Requirement (as defined below). The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Holders of the Series 2021 Bonds. The aggregate of payments due and payable to DASNY under all of the Series 2021 Loan Agreements will be sufficient to pay (i) the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2021 Bonds when due, (ii) amounts necessary to maintain the Series 2021 Debt Service Reserve Fund at its required level, and (iii) the annual fees of DASNY and the Trustee.

Each Series 2021 Loan Agreement is a general obligation of the respective Series 2021 Participant, pursuant to which such Series 2021 Participant will be required to make payments in amounts sufficient to satisfy its Allocable Portion of the principal, Sinking Fund Installments, and Redemption Price of and interest due on the Series 2021 Bonds as reflected in the debt service table set forth in "PART 3 – THE SERIES 2021 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2021 Bonds." The payment obligations of the Series 2021 Participants with respect to their respective Allocable Portions of the Series 2021 Bonds are several, not joint. For the purposes of a Series 2021 Loan Agreement delivered by more than one entity, the payment obligations for a Series 2021 Participant shall be joint and several with respect to the entities comprising such Series 2021 Participant. Each Series 2021 Participant is obligated to repay only its Allocable Portion of the Series 2021 Bonds. Each Series 2021 Participant's payments under its respective Series 2021 Loan Agreement will be applied pro rata to its Allocable Portion of the principal, Sinking Fund Installments, and Redemption Price of and interest due on each Subseries of the Outstanding Series 2021 Bonds.

Payments under each of the Series 2021 Loan Agreements are to be made monthly on the 10th day of each month. Each payment under the Series 2021 Loan Agreements is to be equal to one-sixth of the respective Series 2021 Participant's Allocable Portion of the interest coming due on the next succeeding interest payment date and one-twelfth of its Allocable Portion of the principal and Sinking Fund Installments coming due on the next succeeding July l. See "PART 3 – THE SERIES 2021 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2021 Bonds." Each of the Series 2021 Loan Agreements also obligates the respective Series 2021 Participant to pay, at least 45 days prior to a redemption date of Series 2021 Bonds called for redemption, its Allocable Portion of the amount, if any, required to pay the Redemption Price of such Series 2021 Bonds. See "PART 3 – THE SERIES 2021 BONDS – Redemption Provisions."

Security for the Series 2021 Bonds

General

The Series 2021 Bonds will be secured ratably by the pledge and assignment to the Trustee of the Revenues and DASNY's security interest in the applicable Pledged Revenues, subject to Prior Pledges. See "Appendix A - Description of Series 2021 Participants" for a description of each of the Series 2021 Participants, including their respective Prior Pledges of their respective Pledged Revenues.

The Series 2021 Bonds will also be secured by the proceeds from the sale of such Series 2021 Bonds (until disbursed as provided in the Resolutions) and all funds and accounts authorized by the Resolution and established by the Series 2021 Resolution (with the exception of the Arbitrage Rebate Fund), including the Series 2021 Debt Service Reserve Fund.

Pursuant to the terms of the Resolution, the Series 2021 Bonds are separately secured from all other Series of Bonds. The Holders of a Series of Bonds are not entitled to the rights, benefits and security conferred upon the Holders of any other Series of Bonds.

Pledged Revenues - Intercept Funds

Pursuant to the Act and the respective Series 2021 Loan Agreements, each Series 2021 Participant has pledged and assigned to DASNY its Pledged Revenues in an amount sufficient to satisfy its payment obligations under its Series 2021 Loan Agreement, subject to any Prior Pledges. With respect to each Series 2021 Participant, the Pledged Revenues are all Public Funds attributable to its respective Series 2021 Facilities, including any Intercept Funds. Public Funds are all moneys payable to a Series 2021 Participant by any agency of the State or federal government, a State political subdivision, social services district in the State or any other governmental entity. See "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities."

All of the Series 2021 Facilities are supported by an OPWDD PPA, which the applicable Series 2021 Participant has received. These PPAs represent OPWDD's pre-approval of the applicable Series 2021 Facilities for reimbursement of certain amounts approximately sufficient to pay the annual principal and interest costs incurred by the related Series 2021 Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Series 2021 Facility, in each case subject to annual appropriation by the State Legislature and so long as such Series 2021 Participant operates the applicable Series 2021 Facility in accordance with certain defined standards. Assuming annual appropriation of sufficient funds and continued compliance with such standards, it is expected by each Series 2021 Participant that the amounts received by such Series 2021 Participant pursuant to its respective PPA or PPAs will be approximately sufficient to pay the annual principal of and interest on its respective Allocable Portion of the Series 2021 Bonds related to such Series 2021 Facilities; any difference between the two amounts is expected to be covered by the Pledged Revenues of such Series 2021 Participant expected to be received from operating and administrative expenses associated with such Series 2021 Facility. See "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." Certain of the Series 2021 Facilities may also be supported by additional OPWDD PPAs, but such other OPWDD PPAs were issued with respect to other projects at such Series 2021 Facilities and not those being financed with the Series 2021 Bonds and, therefore, payments under such other PPAs do not constitute Pledged Revenues.

Standby Intercepts

The Act and each Series 2021 Loan Agreement authorize an intercept mechanism whereby public entities responsible for the payment of Pledged Revenues are authorized and required to pay a Series 2021 Participant's Pledged Revenues to DASNY or the Trustee in accordance with a certificate filed by DASNY with such public entity. Under the terms of each Series 2021 Loan Agreement, until the occurrence of an event with respect to a Series 2021 Participant described in clause (a) or (b) below, a Series 2021 Participant's Pledged Revenues subject to such an intercept will be paid directly to such Series 2021 Participant and will be available to be applied towards any of its corporate purposes. However, pursuant to the respective Series 2021 Loan Agreements and the respective Intercept Agreements, upon the occurrence of (a) an event of default under a Series 2021 Participant's Series 2021 Loan Agreement, or an event which with the passage of time or giving of notice, or both, would become an event of default under such Series 2021 Participant's Series 2021 Loan Agreement, or (b) a drawing of funds from the Series 2021 Debt Service Reserve Fund for the benefit of such Series 2021 Participant that has not been repaid by such Series 2021 Participant as required by its Series 2021 Loan Agreement and the Resolutions, DASNY may, in addition to all other remedies available pursuant to such Series 2021 Participant's Series 2021 Loan Agreement, cause such Series 2021 Participant's Pledged Revenues covered by the applicable Intercept Agreement to be deducted, withheld and paid directly to DASNY or the Trustee, as appropriate, up to an amount sufficient to make the payments required by such Series 2021 Participant pursuant to its Series 2021 Loan Agreement. See "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." Intercepted Pledged Revenues of one Series 2021 Participant will not be available to satisfy the payment obligations of any other Series 2021 Participant.

There can be no assurance that the amount of any Series 2021 Participant's intercepted Pledged Revenues will be sufficient to satisfy such Series 2021 Participant's payment obligations with respect to its Allocable Portion of the Series 2021 Bonds. In the event that amounts received upon the intercept of a Series 2021 Participant's Pledged Revenues are insufficient to pay all of a Series 2021 Participant's Allocable Portion of the principal of and interest on the Series 2021 Bonds when due, such amounts received will be applied pro rata to such Series 2021 Participant's Allocable Portion of each Subseries of the Series 2021 Bonds.

The ability of each Series 2021 Participant to satisfy its payment obligations under its Series 2021 Loan Agreement with respect to its Allocable Portion of the Series 2021 Bonds and DASNY's ability to realize upon its security interests in the Series 2021 Participant's Pledged Revenues are largely dependent upon the continued operation by the Series 2021 Participant of its Series 2021 Facilities, which may be adversely affected by a number of risk factors. Such risk factors, which may affect the Series 2021 Participants differently, include, but are not limited to, (i) the financial condition of the Series 2021 Participant and its ability to continue to generate sufficient revenues to support all of its facilities, including its Series 2021 Facilities, (ii) the continued compliance by the Series 2021 Participant with State and local operational standards with respect to its Series 2021 Facilities, (iii) the continued commitment of Public Funds to support the programs and facilities operated by the Series 2021 Participant, particularly with respect to the Series 2021 Facilities, and (iv) the continued appropriation by the State legislature of amounts sufficient for OPWDD and other State agencies to make payments, including Pledged Revenues, to the Series 2021 Participant pursuant to its PPA(s) or otherwise. For a more detailed discussion of risk factors affecting the Pledged Revenues and the ability of the Series 2021 Participants to pay amounts owed under their respective Series 2021 Loan Agreements, as well as other risk factors affecting payment on the Series 2021 Bonds, see "PART 11 - BONDHOLDERS' RISKS." See also "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE" and "Appendix A - Descriptions of the Series 2021 Participants," which includes for each Series 2021 Participant a description of its outstanding long-term and short-term indebtedness and credit facilities secured by security interests that are Prior Pledges with respect to its Pledged Revenues.

Debt Service Reserve Fund

The Resolution authorizes, and the Series 2021 Resolution establishes, the Series 2021 Debt Service Reserve Fund, which is required to be maintained in an amount equal to one-half of the greatest amount required in the then current or any future calendar year to pay the sum of (i) interest on the Outstanding Series 2021 Bonds payable during such year, excluding interest accrued thereon prior to July 1 of the next preceding year and (ii) the principal and the Sinking Fund Installments of such Series 2021 Bonds (the "Series 2021 Debt Service Reserve Fund Requirement").

Proceeds of the Series 2021 Bonds will be deposited in separate accounts established in the Series 2021 Debt Service Reserve Fund for each Series 2021 Participant in amounts equal to the respective Series 2021 Participant's Allocable Portion of the Series 2021 Debt Service Reserve Fund Requirement. If, on the fourth Business Day preceding an interest payment date for the Series 2021 Bonds, the amount on deposit in the account established for a Series 2021 Participant in the Debt Service Fund is less than the amount necessary to pay such Series 2021 Participant's Allocable Portion of the principal or Sinking Fund Installments of and interest on the Outstanding Series 2021 Bonds payable on such interest payment date, the Trustee is required to transfer moneys from the applicable account of the Series 2021 Debt Service Reserve Fund to the corresponding account of the Debt Service Fund in an amount sufficient to provide for such payment. Each Series 2021 Loan Agreement requires the respective Series 2021 Participant to restore in full any amount withdrawn from the Series 2021 Debt Service Reserve Fund for its benefit within five days after receiving notice of a withdrawal. Each Series 2021 Loan Agreement also requires the respective Series 2021 Participant to restore in full its Allocable Portion of the Series 2021 Debt Service Reserve Fund Requirement within five days after receiving notice of a deficiency in the Series 2021 Debt Service Reserve Fund resulting from a devaluation of the investments held therein. Each Series 2021 Participant is responsible for only its Allocable Portion of the Series 2021 Debt Service Reserve Fund Requirement. Any money in the Series 2021 Debt Service Reserve Fund in excess of the required amounts shall be applied in accordance with the Resolutions.

Reserve Fund Facilities

In lieu of or in substitution for moneys in the Series 2021 Debt Service Reserve Fund, DASNY may deposit or cause to be deposited with the Trustee a Reserve Fund Facility satisfying the requirements of the Resolutions for all or any part of the Series 2021 Debt Service Reserve Fund Requirement or any Series 2021 Participant's Allocable Portion thereof. See "Appendix F - Summary of Certain Provisions of the Resolutions."

Mortgages

Except for HASC, each Series 2021 Participant's obligations under its Series 2021 Loan Agreement will be additionally secured by its Mortgage granting to DASNY a mortgage lien on all of its owned Series 2021 Facilities (except that DDI will not grant mortgages with respect to its owned Series 2021 Facilities located at 99 Hollywood Drive, Smithtown, New York), and by a security interest granted to DASNY in the fixtures, furniture and equipment financed with the proceeds of the Series 2021 Bonds now or hereafter located on the mortgaged property, such mortgage liens and security interests subject to applicable Permitted Encumbrances. In the case of DDI, it will grant to DASNY a mortgage lien and security interest on only two of its four owned Series 2021 Facilities. See "PART 11—BONDHOLDERS' RISKS—Specific Risks Related to DDI's Series 2021 Facilities Located in Smithtown, New York" for a discussion of why there are no mortgages on DDI's Series 2021 Facilities located at 99 Hollywood Drive, Smithtown, New York. In the case of HeartShare, it will grant to DASNY a mortgage lien and security interest on only two of its three Series 2021 Facilities. In the case of YAI, it will grant to DASNY a mortgage lien and security interest on only one of its three Series 2021 Facilities. In the case of HASC, it will not grant a mortgage lien and security interest on its Series 2021 Facility. See "Appendix A - Description of Series 2021 Participants" for a description of (a) which Series 2021 Participants (i) own or lease their respective Series 2021 Facilities and (ii) will grant mortgages on their respective Series 2021 Facilities and (b) the nature of the mortgages on their respective Series 2021 Facilities.

DASNY may, but has no present intention to, assign all or a portion of any of the Mortgages or such security interests to the Trustee. Upon (a) a withdrawal from an applicable account of the Series 2021 Debt Service Reserve Fund that has not been restored by the respective Series 2021 Participant to its requirement within 30 days from the date of such withdrawal or (b) the occurrence and continuance of an event of default under a Series 2021 Participant's Series 2021 Loan Agreement and the acceleration of the loan thereunder, DASNY is required to assign such Series 2021 Participant's Mortgage and the related security interest in the fixtures, furnishings and equipment financed with the proceeds of the Series 2021 Bonds to the Trustee for the benefit of the Holders of such Series 2021 Participant's Allocable Portion of the Outstanding Series 2021 Bonds. Unless a Mortgage is assigned to the Trustee, none of the Mortgages or the security interests in the related fixtures, furnishings and equipment or any proceeds therefrom will be for the benefit of the Holders of the Series 2021 Bonds. **Each Mortgage secures only the obligations of the Series 2021 Participant granting the Mortgage, and, in the event of a default by a Series 2021 Participant that may lead to the assignment of its Mortgage, only the Mortgage of that defaulting Series 2021 Participant may be assigned**.

Prior to any assignment of a Mortgage to the Trustee, each Series 2021 Loan Agreement provides that DASNY, upon such terms and conditions as it may require and without the consent of the Trustee or the Holders of the applicable Series 2021 Bonds, may (a) consent to the amendment, modification, termination, subordination or satisfaction of such Mortgage and of any related security interest in furniture, fixtures or equipment financed with the proceeds of the Series 2021 Bonds located in or on or used in connection with the property subject to the Mortgage, and (b) release the property subject to such Mortgage or security interest from the liens thereof. Each Series 2021 Participant may incur debt secured on parity with, or subordinate to, the lien of its Mortgage, including debt incurred in connection with the issuance of other Series of Bonds under the Resolution, with the prior consent of DASNY.

The liens and security interest granted to DASNY by a Mortgage are subject to Permitted Encumbrances. The lien of and security interest in each Series 2021 Participant's Series 2021 Facility(ies) as described in its Mortgage may also be limited by certain other factors. See "PART 11-BONDHOLDERS' RISKS" and "Appendix A – Description of Series 2021 Participants."

Collateral Assignment of Leases

In order to secure its obligations under its respective Series 2021 Loan Agreement, each of HASC, HeartShare and YAI will collaterally assign to DASNY pursuant to a Collateral Assignment of Leases its right, title and interest (but not its obligations) in the lease or leases for its respective Series 2021 Leased Facility or Series 2021 Leased Facilities. Each landlord under each such lease has consented to such collateral assignment. See "PART 11—BONDHOLDERS' RISKS—Specific Risks Related to Series 2021 Leased Facilities."

Events of Default

Events of Default

The Resolutions provide that events of default thereunder constitute events of default with respect to the Series 2021 Bonds. The following are events of default under the Resolutions:

(i) a default in the payment of the principal, Sinking Fund Installments or Redemption Price of or interest on the Series 2021 Bonds of any Subseries; *provided, however,* if the failure to make any such payment is caused by a failure of a Series 2021 Participant to timely pay its Allocable Portion of the principal, Sinking Fund Installments or Redemption Price of or interest on the Series 2021 Bonds pursuant to the terms of its Series 2021 Loan Agreement, then it shall be an event of default under the Resolutions only with respect to the Defaulted Allocable Portion of the Outstanding Series 2021 Bonds, as identified by the Trustee using the method for selection of Bonds upon an extraordinary mandatory redemption thereof as set forth in the Resolution;

(ii) DASNY shall default in the due and punctual performance of its tax covenants contained in the Resolutions with the result that the interest on the Subseries 2021A-1 Bonds shall no longer be excludable from gross income for federal income tax purposes;

(iii) a default by DASNY in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Series 2021 Bonds or in the Resolutions which continues for 30 days after written notice thereof is given to DASNY by the Trustee (such notice to be given at the Trustee's discretion or at the written request of Holders of not less than 25% in principal amount of Outstanding Series 2021 Bonds); or

(iv) an event of default under a Series 2021 Loan Agreement shall have occurred and is continuing and, as a result thereof, all sums payable by a Series 2021 Participant under such Series 2021 Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled; *provided, however*, that such event of default under a Series 2021 Loan Agreement shall constitute an event of default under the Resolutions only with respect to the Defaulted Allocable Portion of the Series 2021 Bonds.

With respect to an event of default affecting only the Defaulted Allocable Portion of the Series 2021 Bonds and not any other portion of the Series 2021 Bonds, the Trustee will determine such Defaulted Allocable Portion in the manner described in "PART 3 - THE SERIES 2021 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

The Series 2021 Bonds are separately secured from all other Series of Bonds which may be issued pursuant to the Resolution. **While an event of default with respect to another Series of Bonds will not necessarily result in an event of default with respect to the Series 2021 Bonds, an event of default by a Series 2021 Participant under a loan agreement entered into in connection with the issuance of another Series of Bonds will result in an event of default under such Series 2021 Participant's Series 2021 Loan Agreement.**

Acceleration; Control of Proceedings

The Resolution provides that if an event of default (other than an event of default described in clause (i) under the first paragraph of the subheading "Events of Default" above resulting from a Series 2021 Participant's failure to timely pay its Allocable Portion of the Series 2021 Bonds or an event as described in clauses (ii) or (iv) under the first paragraph of the subheading "Events of Default") occurs and continues, the Trustee shall, upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2021 Bonds, by a notice in writing to DASNY, declare the principal of and interest on all of the Outstanding Series 2021 Bonds to be due and payable immediately. At the expiration of 30 days from the giving of such notice, such principal and interest shall become immediately due and payable. The Trustee may, with the written consent of the Holders of not less than 25% in principal amount of the Series 2021 Bonds then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

In the case of a default described in clause (i) under the first paragraph of the subheading "Events of Default" above resulting from a failure of a Series 2021 Participant to timely pay its Allocable Portion of the Series 2021 Bonds pursuant to its Series 2021 Loan Agreement or a default described in clause (iv) under the first paragraph of the subheading "Events of Default" above then and in every such case the Trustee shall, upon the written request of the Holders of not less than 25% in principal amount of the Defaulted Allocable Portion of the Series 2021 Bonds then Outstanding, declare the principal of and interest on the Defaulted Allocable Portion of the Series 2021 Bonds then Outstanding to be due and payable immediately.

At the expiration of 30 days after notice of such declaration has been given, such principal and interest shall become immediately due and payable. The Trustee may, with the written consent of the Holders of not less than 25% in principal amount of the Defaulted Allocable Portion of the Series 2021 Bonds then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

With respect to the Series 2021 Bonds, the Holders of not less than 25% in principal amount of the Outstanding Series 2021 Bonds or 25% in principal amount of Defaulted Allocable Portion of the Series 2021 Bonds then Outstanding, as applicable, or, in the case of a default described in clause (ii) in the first paragraph under the subheading "Events of Default" above, the Holders of not less than a majority in principal amount of the Outstanding Series 2021 Bonds, shall have the right to direct the method and place of conducting all remedial actions to be taken by the Trustee with respect to the Series 2021 Bonds.

Notice of Events of Default

The Resolution provides that the Trustee is to give notice in accordance with the Resolution of each event of default actually known to the Trustee to the Holders of the Series 2021 Bonds within 30 days after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that except in the case of default in the payment of principal, Sinking Fund Installments or Redemption Price of or interest due on any of the Series 2021 Bonds, the Trustee is protected in withholding such notice thereof to the Holders if and as long as the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Series 2021 Bonds.

Special Provisions Relating to Defaults

The Resolution provides that upon the happening and continuance of an event of default affecting only a Defaulted Allocable Portion of the Series 2021 Bonds as described in clauses (i) and (iv) above under the subheading "Events of Default," payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on such Defaulted Allocable Portion of Series 2021 Bonds (either by their terms, by acceleration or by the extraordinary mandatory redemption thereof) shall be limited solely to (i) those Revenues received or receivable by DASNY pursuant to the defaulting Series 2021

Participant's Series 2021 Loan Agreement, including such Series 2021 Participant's Pledged Revenues and other amounts derived from the exercise of any remedies under such Series 2021 Loan Agreement and the realization of any security or collateral granted by such defaulting Series 2021 Participant as security for its loan, and (ii) the moneys and securities on deposit in only those accounts established pursuant to the Series 2021 Resolution for the payment of such defaulting Series 2021 Participant's Allocable Portion of the Series 2021 Bonds. Holders of a Defaulted Allocable Portion of the Series 2021 Bonds will have no right to any other Revenues or any other funds held by the Trustee under the Resolution derived from payments made by or on behalf of any other Series 2021 Participant for the payment of the Series 2021 Bonds or any other security pledged by such other non-defaulting Series 2021 Participants as security for their loans.

If, following the exercise of all remedies available to the Trustee under the Resolutions and the realization on all security and collateral available for the payment of a Defaulted Allocable Portion of the Outstanding Series 2021 Bonds, moneys derived from the sources specified above are available to pay only a portion of the principal and interest due on such Defaulted Allocable Portion of the Series 2021 Bonds upon the extraordinary mandatory redemption or acceleration thereof, then after application by the Trustee of all available moneys to the partial payment of such Defaulted Allocable Portion of the Series 2021 Bonds on a pro rata basis in accordance with the Resolution, (i) the remaining Defaulted Allocable Portion of the Series 2021 Bonds shall be cancelled with the same effect as if paid in full and the event of default shall be deemed cured, (ii) all obligations of DASNY and the Trustee under the Resolutions with respect to such Defaulted Allocable Portion of the Series 2021 Bonds shall be deemed to have been discharged and satisfied, and (iii) the Holders of the Defaulted Allocable Portion of the Series 2021 Bonds shall no longer be entitled to the benefits of the Resolutions by virtue of their ownership of such Defaulted Allocable Portion of the Series 2021 Bonds. Upon such payment and/or cancellation of a Defaulted Allocable Portion of the Outstanding Series 2021 Bonds, DASNY shall execute and the Trustee shall authenticate a new Series 2021 Bond or Series 2021 Bonds in a principal amount equal to the Outstanding principal amount of the Series 2021 Bonds of each applicable maturity less the principal amount of the Defaulted Allocable Portion thereof so paid and/or cancelled.

Payments made to Holders of the Series 2021 Bonds of less than all of the principal of and interest on a Defaulted Allocable Portion of the Series 2021 Bonds then Outstanding following an acceleration or extraordinary mandatory redemption of such Defaulted Allocable Portion of the Series 2021 Bonds and the application by the Trustee of all funds available for the payment thereof as described above, will not be deemed a payment default on the Series 2021 Bonds under the Resolutions.

General

The Series 2021 Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power. DASNY has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 7 – DASNY."

PART 3 - THE SERIES 2021 BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2021 Bonds. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2021 Resolution and the Series 2021 Loan Agreements, copies of which are on file with DASNY and the Trustee. See also "Appendix E - Summary of Certain Provisions of the Series 2021 Loan Agreements" and "Appendix F - Summary of Certain Provisions of the Resolutions" for a more complete description of certain provisions of the Series 2021 Bonds.

General

The Series 2021 Bonds will be issued pursuant to the Resolutions. The Series 2021 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), pursuant to DTC's Book-Entry-Only System. Purchases of beneficial interests in the Series 2021 Bonds will be made in book-entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2021 Bonds, payments of principal, Sinking Fund Installments, Redemption Price and interest on the Series 2021 Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the Direct Participants (as hereinafter defined) is the responsibility of DTC and disbursement of those payments to the Beneficial Owners of the Series 2021 Bonds is the responsibility of the Direct Participants and the Indirect Participants (as hereinafter defined). If at any time the Book-Entry-Only System is discontinued for the Series 2021 Bonds, the Series 2021 Bonds will be exchangeable for fully registered Series 2021 Bonds in any authorized denominations of the same Subseries and maturity, without charge, except the payment of any tax, fee or other governmental charge required to be paid with respect to such exchange, subject to the conditions and restrictions set for in the Resolution. See " - Book-Entry-Only System" and "Appendix F - Summary of Certain Provisions of the Resolutions."

Description of the Series 2021 Bonds

The Series 2021 Bonds will be dated their date of delivery and will bear interest from such date (payable on January 1, 2022, and on each July 1 and January 1 thereafter) at the rates per annum, and will mature on July 1 in each of the years set forth on the inside cover page of this Official Statement. The Series 2021 Bonds will be issuable in fully registered book-entry-only form, without coupons, in denominations of $5,000 or any integral multiple in excess thereof.

Each Subseries of the Series 2021 Bonds may be exchanged for other Series 2021 Bonds of the same Subseries in any other authorized denominations upon payment of a charge sufficient to reimburse DASNY or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange and for the cost of preparing the new bond, and otherwise as provided in the Resolution.

Redemption Provisions

<u>Optional Redemption</u>

The Series 2021 Bonds maturing on or after July 1, 2032 are subject to redemption, on or after July 1, 2031, as a whole or in part at any time at the option of DASNY, at a Redemption Price of par, plus accrued interest to the redemption date.

<u>Extraordinary Mandatory Redemption</u>

Each Defaulted Allocable Portion of the Series 2021 Bonds is subject to extraordinary mandatory redemption at any time prior to maturity in whole, within 45 days following the realization by the Trustee pursuant to the Resolution on all security and collateral granted by the applicable defaulting Series 2021 Participant as security for its loan upon an acceleration of such loan under its Series 2021 Loan Agreement. The Series 2021 Bonds to be so redeemed shall be redeemed at a redemption price equal to (a) the principal amount of the Outstanding Defaulted Allocable Portion of the Series 2021 Bonds to be redeemed on the redemption date, times the lesser of (i) 100% or (ii) the quotient, expressed as a percentage, obtained by dividing (A) the amount of funds available to the Trustee to pay the principal of and interest on such Defaulted Allocable Portion of the Series 2021 Bonds on the redemption date less the amount of accrued interest to be paid on such Defaulted Allocable Portion of the Series 2021 Bonds on such date, by (B) the principal amount of the Defaulted Allocable Portion of the Series 2021 Bonds to be redeemed, plus (b) accrued interest to the redemption date.

The Trustee shall, as reasonably practicable, determine the Defaulted Allocable Portion of the Series 2021 Bonds to be redeemed based upon the schedule of amortization of the defaulting Series 2021 Participant's loan which has been accelerated. All Series 2021 Bonds of each maturity that correspond to a principal installment of the defaulted loan shall be called for redemption in part. The Trustee shall redeem only that portion of each Series 2021 Bond which represents the quotient obtained by dividing the principal scheduled to be paid on such defaulted loan in the year of maturity of such Series 2021 Bond by the total principal scheduled to be paid in the year of maturity of such Series 2021 Bond on all loans made with the proceeds of the Series 2021 Bonds, including the defaulted loan.

The particular Series 2021 Bonds of each affected maturity to be redeemed will be selected in the manner described below under "- Selection of Series 2021 Bonds to be Redeemed."

Special Redemption

The Series 2021 Bonds are also subject to redemption at the option of DASNY, as a whole or in part, on any interest payment date at 100% of the principal amount thereof, from (a) the proceeds of a condemnation or insurance award, which proceeds are not to be used to repair, restore or replace a Series 2021 Facility of such Series 2021 Participant, (b) from unexpended proceeds of the Series 2021 Bonds upon abandonment of all or a portion of a Series 2021 Facility due to a legal or regulatory impediment and (c) the proceeds of the sale of a Series 2021 Facility.

Mandatory Sinking Fund Redemption

The Subseries 2021A-1 Bonds maturing on July 1, 2036, July 1, 2041 and July 1, 2046 shall be subject to mandatory redemption prior to maturity, in part on July 1 of the years and in the respective principal amounts set forth below, at a Redemption Price equal to the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of the Subseries 2021A-1 Bonds specified for each such year below:

Subseries 2021A-1 Bonds Maturing July 1, 2036		**Subseries 2021A-1 Bonds Maturing July 1, 2041**		**Subseries 2021A-1 Bonds Maturing July 1, 2046**	
Year	Sinking Fund Installment	Year	Sinking Fund Installment	Year	Sinking Fund Installment
2032	$1,185,000	2037	$1,145,000	2042	$1,190,000
2033	1,200,000	2038	1,180,000	2043	1,245,000
2034	1,125,000	2039	1,205,000	2044	835,000
2035	1,160,000	2040	1,230,000	2045	720,000
2036†	1,125,000	2041†	1,165,000	2046†	610,000

†Final maturity.

The Subseries 2021A-2 Bonds maturing on maturing on July 1, 2026, July 1, 2031 and July 1, 2036 shall be subject to mandatory redemption prior to maturity, in part on July 1 of the years and in the respective principal amounts set forth below, at a Redemption Price equal to the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of the Subseries 2021A-2 Bonds specified for each such year below:

Subseries 2021A-2 Bonds Maturing July 1, 2026		**Subseries 2021A-2 Bonds Maturing July 1, 2031**		**Subseries 2021A-2 Bonds Maturing July 1, 2036**	
Year	Sinking Fund Installment	Year	Sinking Fund Installment	Year	Sinking Fund Installment
2022	$810,000	2027	$70,000	2032	$80,000
2023	860,000	2028	75,000	2033	80,000
2024	550,000	2029	75,000	2034	85,000
2025	280,000	2030	75,000	2035	90,000
2026†	285,000	2031†	75,000	2036†	90,000

†Final maturity.

The Series 2021 Participants may elect to have the Series 2021 Bonds purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2021 Bonds of the same Subseries and maturity. To the extent DASNY's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchases, the likelihood of redemption through mandatory Sinking Fund Installments of any Holder's Series 2021 Bonds of the Subseries and maturity so purchased will be reduced for such year.

Selection of Series 2021 Bonds to be Redeemed

In the case of redemptions of Series 2021 Bonds described above under " - Optional Redemption," DASNY will select the maturities of the Allocable Portion of the applicable Subseries of Series 2021 Bonds to be redeemed. In the case of redemption of Series 2021 Bonds described above under " - Special Redemption," Series 2021 Bonds will be redeemed to the extent practicable pro rata among maturities of the Allocable Portion of the Series 2021 Bonds, but only in integral multiples of $5,000 within each maturity. If less than all of the Series 2021 Bonds of a maturity are to be redeemed (pursuant to an optional, special, extraordinary mandatory or mandatory sinking fund redemption), the Series 2021 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of a Series 2021 Bond in the name of DASNY, which notice shall be given by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to the registered owners of any Series 2021 Bonds which are to be redeemed, at their last known addresses appearing on the registration books of DASNY not more than 10 days prior to the date such notice is to be given. If DASNY's obligation to redeem Series 2021 Bonds is subject to one or more conditions, then such notice must describe the conditions to such redemption. The failure of any owner of a Series 2021 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2021 Bond. If directed in writing by an Authorized Officer of DASNY, the Trustee shall publish or cause to be published such notice in an Authorized Newspaper not less than 30 days nor more than 45 days prior to the redemption date, but such publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2021 Bonds.

If, on the redemption date, moneys for the redemption of the Series 2021 Bonds of like Subseries and maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption has been mailed, then interest on the Series 2021 Bonds of such Subseries and maturity will cease to accrue from and after the redemption date and such Series 2021 Bonds will no longer be considered to be Outstanding under the Resolutions.

For a more complete description of the redemption and other provisions relating to the Series 2021 Bonds, see "Appendix F - Summary of Certain Provisions of the Resolutions."

Purchase in Lieu of Optional Redemption

The Series 2021 Bonds maturing on or after July 1, 2032 are also subject to purchase prior to maturity, at the election of DASNY, on or after July 1, 2031, in any order, in whole or in part at any time, at the prices set forth under " - Optional Redemption" (the "Purchase Price"), plus accrued interest to the date set for purchase (the "Purchase Date") set forth in the notice of purchase to the registered owners of the Series 2021 Bonds to be so purchased.

Notice of Purchase and its Effect

Notice of the purchase of Series 2021 Bonds will be given by DASNY in the name of one or more of the Series 2021 Participants to the registered owners of the Series 2021 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the Purchase Date specified in such notice. The Series 2021 Bonds to be purchased are required to be tendered on the applicable Purchase Date to the Trustee. Series 2021 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. Such purchase shall not operate to extinguish the indebtedness of DASNY evidenced thereby and such Series 2021 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

DASNY's obligation to purchase a Series 2021 Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2021 Bonds to be purchased on such Purchase Date. If sufficient money is available on the applicable Purchase Date to pay the applicable Purchase Price of the Series 2021 Bonds to be purchased, the former registered owners of such Series 2021 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the applicable Purchase Price. If sufficient money is not available on the applicable Purchase Date for payment of the applicable Purchase Price, the Series 2021 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the applicable Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2021 Bonds in accordance with their terms.

In the event not all of the Outstanding Series 2021 Bonds of a Subseries and maturity are to be purchased, the Series 2021 Bonds of such Subseries and maturity to be purchased will be selected by lot in the same manner as Series 2021 Bonds of a Subseries and maturity to be redeemed in part are to be selected.

Book-Entry-Only System

DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series

2021 Bond certificate will be issued for each maturity of the respective Subseries of Series 2021 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2021 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to DASNY as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DASNY or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC, the Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DASNY and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2021 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2021 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2021 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. DASNY and the Trustee shall not have any responsibility or obligation to any Direct Participant or Indirect Participant or any person claiming a beneficial ownership interest in the Series 2021 Bonds under or through DTC or any Direct Participant or Indirect Participant, or any other person which is not shown on the registration books of DASNY (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; the payment by DTC or any Direct Participant or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2021 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by DASNY; or other action taken by DTC as a registered owner.

For every transfer and exchange of beneficial ownership of the Series 2021 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving notice to DASNY and discharging its responsibilities with respect thereto under applicable law, or DASNY may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, DASNY may retain another securities depository for the Series 2021 Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If DASNY directs the Trustee to deliver such bond certificates, such Series 2021 Bonds may thereafter be exchanged for an equal aggregate principal amount of Series 2021 Bonds in any other authorized denominations and of the same Subseries and maturity as set forth in the Resolution, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of DASNY.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection " - Book-Entry-Only System" has been extracted from information given by DTC. None of DASNY, the Trustee or the Underwriter make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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Principal, Sinking Fund Installment and Interest Requirements for the Series 2021 Bonds

The following table sets forth the amounts required to be paid by each of the Series 2021 Participants during each twelve-month period ending June 30 of the Bond Years shown for the payment of the interest on the Series 2021 Bonds payable on January 1 of such year and the principal and Sinking Fund Installments of and interest on the Series 2021 Bonds payable on the succeeding July 1.

Total Debt Service by Series 2021 Participant

	Citizens Options Unlimited, Inc., Community Services Support Corporation and Nassau County AHRC Foundation, Inc.		Developmental Disabilities Institute, Inc.		HASC Center, Inc.	
FY or Period Ending	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest
6/30/2022	$105,000.00	$106,028.72	$125,000.00	$101,530.48	$205,000.00	$12,284.56
6/30/2023	110,000.00	102,231.26	135,000.00	97,885.80	205,000.00	9,660.00
6/30/2024	100,000.00	100,681.26	135,000.00	96,333.30	210,000.00	7,302.50
6/30/2025	105,000.00	96,681.26	140,000.00	92,785.80	210,000.00	4,887.50
6/30/2026	105,000.00	92,481.26	140,000.00	89,180.80	215,000.00	2,472.50
6/30/2027	115,000.00	88,281.26	150,000.00	85,575.80	--	--
6/30/2028	115,000.00	83,681.26	155,000.00	80,847.00	--	--
6/30/2029	120,000.00	79,081.26	155,000.00	76,009.00	--	--
6/30/2030	130,000.00	74,281.26	165,000.00	71,171.00	--	--
6/30/2031	130,000.00	69,081.26	165,000.00	65,933.00	--	--
6/30/2032	135,000.00	63,881.26	170,000.00	60,695.00	--	--
6/30/2033	135,000.00	61,012.52	170,000.00	56,270.52	--	--
6/30/2034	145,000.00	58,143.76	185,000.00	51,846.00	--	--
6/30/2035	150,000.00	55,062.50	190,000.00	47,052.00	--	--
6/30/2036	150,000.00	51,875.02	190,000.00	42,101.00	--	--
6/30/2037	150,000.00	48,687.50	100,000.00	37,150.00	--	--
6/30/2038	155,000.00	45,312.50	110,000.00	34,900.00	--	--
6/30/2039	160,000.00	41,825.00	110,000.00	32,425.00	--	--
6/30/2040	165,000.00	38,225.00	110,000.00	29,950.00	--	--
6/30/2041	165,000.00	34,512.50	110,000.00	27,475.00	--	--
6/30/2042	165,000.00	30,800.00	115,000.00	25,000.00	--	--
6/30/2043	180,000.00	24,200.00	120,000.00	20,400.00	--	--
6/30/2044	180,000.00	17,000.00	125,000.00	15,600.00	--	--
6/30/2045	120,000.00	9,800.00	130,000.00	10,600.00	--	--
6/30/2046	125,000.00	5,000.00	135,000.00	5,400.00	--	--

Total Debt Service by Series 2021 Participant (continued)

	HeartShare Human Services of New York		The Institutes of Applied Human Dynamics Inc.		QSAC, Inc.	
FY or Period Ending	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest
6/30/2022	$150,000.00	$125,002.46	$130,000.00	$135,293.66	$180,000.00	$192,838.39
6/30/2023	155,000.00	118,280.02	140,000.00	130,287.50	180,000.00	185,008.76
6/30/2024	155,000.00	114,075.02	140,000.00	128,250.00	195,000.00	181,656.26
6/30/2025	170,000.00	107,875.02	145,000.00	126,212.50	220,000.00	178,131.26
6/30/2026	170,000.00	101,075.02	150,000.00	120,412.50	225,000.00	169,331.26
6/30/2027	175,000.00	94,275.02	155,000.00	114,412.50	235,000.00	160,331.26
6/30/2028	185,000.00	87,275.02	165,000.00	108,212.50	240,000.00	150,931.26
6/30/2029	195,000.00	79,875.02	175,000.00	101,612.50	250,000.00	141,331.26
6/30/2030	200,000.00	72,075.02	175,000.00	94,612.50	265,000.00	131,331.26
6/30/2031	205,000.00	64,075.02	180,000.00	87,612.50	280,000.00	120,731.26
6/30/2032	215,000.00	55,875.02	190,000.00	80,412.50	280,000.00	109,531.26
6/30/2033	220,000.00	51,306.26	195,000.00	76,375.00	285,000.00	103,581.28
6/30/2034	100,000.00	46,631.26	195,000.00	72,231.26	300,000.00	97,525.02
6/30/2035	105,000.00	44,506.26	205,000.00	68,087.50	305,000.00	91,150.00
6/30/2036	110,000.00	42,275.02	205,000.00	63,731.28	305,000.00	84,668.78
6/30/2037	110,000.00	39,937.50	215,000.00	59,375.00	310,000.00	78,187.50
6/30/2038	110,000.00	37,462.50	215,000.00	54,537.50	325,000.00	71,212.50
6/30/2039	115,000.00	34,987.50	220,000.00	49,700.00	330,000.00	63,900.00
6/30/2040	120,000.00	32,400.00	225,000.00	44,750.00	335,000.00	56,475.00
6/30/2041	120,000.00	29,700.00	235,000.00	39,687.50	255,000.00	48,937.50
6/30/2042	125,000.00	27,000.00	240,000.00	34,400.00	255,000.00	43,200.00
6/30/2043	130,000.00	22,000.00	245,000.00	24,800.00	270,000.00	33,000.00
6/30/2044	135,000.00	16,800.00	120,000.00	15,000.00	275,000.00	22,200.00
6/30/2045	140,000.00	11,400.00	125,000.00	10,200.00	205,000.00	11,200.00
6/30/2046	145,000.00	5,800.00	130,000.00	5,200.00	75,000.00	3,000.00

Total Debt Service by Series 2021 Participant (continued)

Young Adult Institute, Inc.		
FY or Period Ending	Principal & Sinking Fund Installments	Interest
6/30/2022	$165,000.00	$170,671.52
6/30/2023	195,000.00	162,641.28
6/30/2024	205,000.00	157,406.28
6/30/2025	205,000.00	149,206.28
6/30/2026	215,000.00	141,006.28
6/30/2027	230,000.00	132,406.28
6/30/2028	235,000.00	123,206.28
6/30/2029	240,000.00	113,806.28
6/30/2030	255,000.00	104,206.28
6/30/2031	265,000.00	94,006.28
6/30/2032	275,000.00	83,406.28
6/30/2033	275,000.00	77,562.52
6/30/2034	285,000.00	71,718.78
6/30/2035	295,000.00	65,662.52
6/30/2036	255,000.00	59,393.76
6/30/2037	260,000.00	53,975.00
6/30/2038	265,000.00	48,125.00
6/30/2039	270,000.00	42,162.50
6/30/2040	275,000.00	36,087.50
6/30/2041	280,000.00	29,900.00
6/30/2042	290,000.00	23,600.00
6/30/2043	300,000.00	12,000.00

PART 4 - THE SERIES 2021 PARTICIPANTS

Descriptions of the Series 2021 Participants, their operations and the Series 2021 Facilities they will finance or refinance with the proceeds of the Series 2021 Bonds are set forth in Appendix A hereto. Copies of the most recent audited financial statements for each of the Series 2021 Participants are set forth in Appendix B hereto, and copies of recent unaudited financial information for each of the Series 2021 Participants are set forth in Appendix C hereto. Prospective purchasers of the Series 2021 Bonds should carefully review Appendix A, Appendix B and Appendix C.

Each of the Series 2021 Participants is a not-for-profit corporation, organized and existing under the laws of the State. All of the Series 2021 Participants have received Section 501(c)(3) designations from the Internal Revenue Service (the "IRS") and as such qualify for exemption from certain federal income taxes. Typically, management of each Series 2021 Participant has as an operational goal the acquisition of sufficient revenues to cover programmatic expenses, including debt service and the provision for capital improvements. When revenues exceed expenses, the excess revenues are reflected in a fund balance (or net assets) category and may be used for any lawful purpose consistent with the Series 2021 Participant's charitable purposes. When revenues are not sufficient to cover expenses, the Series 2021 Participant must cover the deficit from fund reserves or other assets or reduce its services and expenses to match its income. Trustees or members of the Board of Directors of a Series 2021 Participant typically serve without remuneration, though expenses associated with attendance at board meetings or other official board functions may be reimbursed.

Other than Nassau AHRC Foundation, Inc., each of the Series 2021 Participants owns and/or leases and/or operates one or more facilities, including the Series 2021 Facilities as described in Appendix A, in the State, to provide services to individuals who are developmentally disabled or have other special needs. Nassau AHRC Foundation, Inc. operates to publicly solicit and receive funds in support of individuals with intellectual and other disabilities. Each of the Series 2021 Participants has represented that it has the appropriate licenses and authority to provide its services under State statutes. The Series 2021 Participants all currently have one or more contracts or approved reimbursement arrangements with one or more departments of the State, The City of New York or a county in the State. The reimbursement rates for the Series 2021 Participants for such contracts or arrangements are adjusted annually according to a standardized formula set by the State and are subject to annual appropriation by the State Legislature. *No independent investigation or verification has been made of the status of compliance with State, city, county or federal agency standards of licensing and operations of the Series 2021 Participants in order to continue to receive payments of State, city, county, and/or federal funds under such contracts or arrangements, which provide a substantial portion of the total revenues of each of the Series 2021 Participants.* **A careful review should be made of Appendix A, Appendix B and Appendix C to this Official Statement to determine the creditworthiness of each of the Series 2021 Participants**. See "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE."

The Series 2021 Participants have engaged the Program Facilitator to act as the facilitator for the InterAgency Council Pooled Loan Program. For its services, each Series 2021 Participant will pay the Program Facilitator a fee of .25% of the principal amount of its Allocable Portion of the Series 2021 Bonds at closing for new money loans and an annual fee of .125% of all of its outstanding Allocable Portion of Series 2021 Bonds. The Program Facilitator fee will not exceed $15,000 per year for any Series 2021 Participant. Each Series 2021 Participant is a member of the Program Facilitator.

All of the Series 2021 Facilities financed by the Series 2021 Bonds are supported by PPAs funded by OPWDD. See "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities."

All of the Series 2021 Participants have over 38 years of experience providing services. See "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE." Also see "Appendix A - Description of Series 2021 Participants" for descriptions of (i) which Series 2021 Participants have Prior Pledges of their respective Pledged Revenues and (ii) which Series 2021 Participants (a) own and/or lease their Series 2021 Facilities, (b) will grant mortgages (and the nature of such mortgages) on their respective Series 2020 Facilities and (c) will grant Collateral Assignments of Leases on their respective Series 2021 Leased Facilities.

PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE

General

OPWDD and other State agencies provide a portion of the revenues of the Series 2021 Participants through contracts and reimbursement arrangements for the provision of their services, although the percentage of OPWDD and other State agencies revenues varies among the Series 2021 Participants. See "Appendix A - Description of Series 2021 Participants." Other government funding sources for one or more of the Series 2021 Participants are also described in Appendix A.

New York State Office for People with Developmental Disabilities

The following information concerning OPWDD and the PPA process included in this Part 5 has been provided by the Program Facilitator and is subject to change. The Program Facilitator obtained the information from publicly available information, including the New York State Annual Information Statement dated June 3, 2020 (the "2020 AIS"), the Update to New York State Annual Information dated December 3, 2020 (the "2020 AIS Update"), the New York State Statement of Updated Annual Information Pursuant To Continuing Disclosure Agreements For FY 2020 (Ended March 31, 2020) dated July 29, 2020 (the "2020 Updated CDA Information"), and the Enacted Budget Financial Plans of the State for State fiscal years 2017 through 2022 ("Enacted Budget Plans"), as well as OPWDD's website.

Neither OPWDD nor any other State office, division, department, agency or officer, including the State Division of Budget, has authorized the Program Facilitator to provide the information concerning OPWDD and its operations for inclusion in this Official Statement or otherwise consented to such inclusion or agreed to execute a continuing disclosure agreement with respect to the Series 2021 Bonds described in this Official Statement. According to the State website on which the 2020 AIS, the 2020 AIS Update and the 2020 Updated CDA Information are posted, (a) no portion of any of such documents may be included in or incorporated by reference in any official statement unless (i) the State Division of Budget ("DOB") has expressly consented and (ii) DOB has agreed to execute a continuing disclosure agreement relating to the bonds or notes described in the official statement, (b) any inclusion or incorporation by reference in an official statement without such consent and agreement by DOB is unauthorized and (c) the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of the information so included or referenced.

The information included in this Part 5 which was obtained from the 2020 Updated CDA Information relates to obligations issued by DASNY under statutory authority and resolutions unrelated to the statutory authority and Resolutions pursuant to which the Series 2021 Bonds are being issued. While the Program Facilitator believes the information obtained from the 2020 Updated CDA Information provides material information for prospective investors in the Series 2021 Bonds, prospective investors should carefully review such information with an awareness that it was developed and posted to discharge disclosure undertakings regarding bonds related to different service providers and payable through a payment structure that is different from the payment structure made in connection with the Series 2021 Bonds. Furthermore, none of the State, DASNY or any other State agency or official has any *obligation to continue updating the information in the 2020 Updated CDA Information when the bonds for which the 2020 Updated CDA Information is provided are no longer outstanding.*

General

OPWDD is one of three autonomous offices within the State Department of Mental Hygiene ("DMH"), the other autonomous offices being the Office of Mental Health ("OMH") and the Office of Addiction Services and Supports ("OASAS"). These three offices function independently within DMH, each with complete responsibilities for planning and administration of their respective programs. Each office is headed by a commissioner appointed by the State Governor with the advice and consent of the State Senate. Also within DMH are the Developmental Disabilities Planning Council and the Justice Center for the Protection of People with Special Needs. OPWDD, OMH and OASAS all provide services directly to their clients through State-operated facilities and indirectly through community-based service providers.

OPWDD is charged with developing a comprehensive, cost-effective, and integrated system to serve the full range of needs of individuals with developmental disabilities. OPWDD operates five regional offices, which oversee the provision of not-for-profit services, and six State operations offices, which are responsible for State-delivered programs and services. The 13 service districts within the State operations offices administer community-based and, where applicable, institutionally-based service programs for persons with developmental disabilities within regional catchment areas. Institutional programs offer residential care and habilitative services in campus settings, informally known as developmental centers, and at special population units located throughout the State. The community-based service programs, funded and regulated by OPWDD, reflect the cooperative efforts of local governments, not-for-profit service providers, including the Series 2021 Participants, and OPWDD as a provider of services. Community programs include State- and not-for-profit-operated residential and day services, as well as a variety of support services to families and individuals living in their own homes, including respite and crisis intervention, which help prevent unnecessary and costly out-of-home placement. OPWDD is responsible for the regulation and licensing of residential facilities such as the Series 2021 Facilities financed with the proceeds of the Series 2021 Bonds. Such regulation and licensing include determining the need for the facility, review of plans and specifications for construction for the facility, inspections and audits, and the establishment of a reimbursement rate for services.

OPWDD coordinates both residential and non-residential services for New Yorkers with developmental disabilities, including intellectual disabilities, cerebral palsy, Down syndrome, autism spectrum disorders, Prader-Willi syndrome and other neurological impairments. It provides services directly (referred to above as "State-operated services") and through a network of approximately 600 not-for-profit service providing agencies, with about 80% of services provided by the not-for-profit service provider agencies and 20% provided directly by the State.

OPWDD's community services system using private not-for-profit agencies continues to grow, which reflects the needs of the State's residents, subject to the funds available in the OPWDD budget. The 2020-21 budget for OPWDD increased by an average of 6% over the 2019-20 budget, including investments to leverage up to $120 million in additional OPWDD funding which will allow for the development of new certified housing supports in the community, support more independent living, provide more day program and employment options, and increase respite availability. Spending also reflects a 4% total increase through FY 2021 for direct care workers, and a 2% pay raise for clinical workers serving the mental hygiene community. Both increases are aimed at assisting not-for-profits in the recruitment and retention of employees. These investments, when fully annualized, will increase State share support for workers by $107 million ($188 million on an all funds basis). Offsetting these cost increases is the deferral of the statutory COLA for mental hygiene agencies through FY 2021.

Funding for OPWDD is subject to appropriation by the State legislature, and there is no assurance that there will be continued appropriations by the State legislature in amounts sufficient for OPWDD to make payments to the Series 2021 Participants pursuant to their respective PPAs.

Population Statistics for Residential Programs

The following are actual population statistics for the State and residential programs funded by OPWDD:

Year As of 3/31	State Operated Developmental Center	OPWDD Funded Community Based Residences
2016	297	42,314
2017	233	42,737
2018	196	43,080
2019	189	43,193
2020	193	43,099

Source: 2020 *Updated CDA Information*

Historical Total State Funding

The actual expenditures made for the operations and costs of OPWDD for State Fiscal Years 2016-2017 through 2020-2021 are as follows:

Year	State Operations	Aid to Localities	Total Operations	Capital
2016-2017	2,153,901,000	2,248,926,500	4,402,827,500	28,000,000
2017-2018	2,149,400,000	2,272,796,500	4,422,196,000	86,000,000
2018-2019	2,197,639,000	2,405,835,000	4,603,474,000	96,400,000
2019-2020	2,244,027,000	2,487,307,000	4,731,334,000	99,400,000
2020-2021	2,244,149,000	2,649,282,000	4,893,431,000	108,600,000

The funding received by the Series 2021 Participants from OPWDD is appropriated through Aid to Localities appropriations.

Sources:
https://www.budget.ny.gov/pubs/archive/fy18archive/exec/agencyPresentations/appropData/PeoplewithDevelopmentalDisabilitiesOfficefor.html
https://www.budget.ny.gov/pubs/archive/fy19/exec/agencies/appropData/PeoplewithDevelopmentalDisabilitiesOfficefor.html
https://www.budget.ny.gov/pubs/archive/fy20/exec/agencies/appropData/PeoplewithDevelopmentalDisabilitiesOfficefor.html
https://www.budget.ny.gov/pubs/archive/fy21/exec/agencies/appropdata/PeoplewithDevelopmentalDisabilitiesOfficefor.html

State Fiscal Year 2021-22 Enacted Budget*

The Enacted State Fiscal Year 2021-22 Budget includes continued support for individuals with developmental disabilities and reflects an increase in annual spending of approximately 4.8% and 32.1% for residential services and day programs, respectively. The Enacted State Fiscal Year 2021-2022 Budget provides increased funding for not-for-profit providers for the cost of minimum wage increases, a 1% cost-of-living adjustment, the anticipated return to pre-pandemic service utilization, and targeted investments to ensure adequate access to services and supports. The Enacted Budget Financial Plan includes continued support for individuals with developmental disabilities to ensure appropriate access to care. Additional funding will be utilized for the development of new certified housing supports, expanded living opportunities and growth in respite availability.

*Source: Enacted Budget Financial Plan of the State for State Fiscal Year 2022.

Prior Property Approval Process

Prior to initiating the development of a capital project to serve intellectually and developmentally disabled individuals, a not-for-profit provider is required under Title 14, New York State Codes, Rules and Regulations Part 620 to complete a Certificate of Need ("CON") process. The CON application is reviewed by the OPWDD Developmental Disabilities Services Office in the provider's region for compliance with local government and general State plans for needed development as to the type of individuals to be served and the program to be provided.

If CON approval is received and an appropriate program site is identified, a PPA proposal that details the capital costs associated with the development of the site is prepared by the provider and regional Developmental Disabilities Services Office. The PPA process was developed to satisfy the regulatory requirement for OPWDD and the approval process of capital costs for program sites for the New York State Division of the Budget and to facilitate the capital financing of such sites. The PPA identifies funding and financing sources for capital costs and the level and method of reimbursement for such costs.

Securing PPA approval establishes commitments of the voluntary provider, as well as OPWDD. The provider commits to develop the program to serve a specific number of individuals in a specific type of facility and program. OPWDD commits to support the development and operation of the project if it is completed within the approved budget in conformance with the PPA, subject to annual appropriation of sufficient moneys by the State Legislature. As long as the provider continues to meet the requirements of the operating certificate, the provider is eligible for such reimbursement. Certain capital costs are not subject to the PPA process.

PPA Regulatory Compliance Process

OPWDD imposes additional restrictions on certain projects under applicable regulations. These projects (the "New PPA Lien Projects") are fee-owned sites for which OPWDD funding is sought for (a) new acquisition, renovation and development, or (b) "substantial renovation" of an existing OPWDD-regulated site, with "substantial renovation" defined as renovation expenses that exceed 75% of the fair market value of the site as determined from the applicable municipal assessment rolls. All of the fee-owned Series 2021 Facilities that have PPAs are New PPA Lien Projects, except for DDI's Series 2021 Facilities located at 99 Hollywood Drive, Smithtown, New York.

For New PPA Lien Projects, OPWDD requires that the provider applicant execute a Regulatory Compliance Contract and a Capital Component Security and Lien Agreement. The Regulatory Compliance Contract requires that the provider operate an OPWDD-regulated program at the site for 40 years, and that the provider otherwise comply with all applicable OPWDD regulations.

In order to secure performance of the Regulatory Compliance Contract, the Capital Component Security and Lien Agreement grants OPWDD a first lien on the facility to which the PPA relates and the furniture, fixtures and equipment thereon, which lien also secures any amounts in the future paid by OPWDD to satisfy any mortgage, capital expenditures or operating and maintenance expenses, and professional services and other expenses, incurred by OPWDD.

The Capital Component Security and Lien Agreement also requires the provider to covenant to operate its program, comply with all laws, maintain insurance, construct, renovate and maintain the facility, and comply with certain other covenants and conditions. The Capital Component Security and Lien Agreement restricts transfer and mortgaging of the facility in question, and contains a purchase option, exercisable by OPWDD, in the amount of the greater of (i) the fair market value of the property less OPWDD capital contributions or (ii) the principal balance of any Approved Mortgage (as defined therein).

Finally, for New PPA Lien Projects, OPWDD has approved a form of Subordination Agreement in which the rights of OPWDD under the Regulatory Compliance Contract and the Capital Component Security and Lien Agreement are subordinate to the lien of any Approved Mortgage. The Mortgages granted on the Series 2021 Facilities are Approved Mortgages.

Commissioner's Ability to Appoint a Temporary Operating Receiver for a Facility; Security Interests

Pursuant to the State's Mental Hygiene Law, the State Commissioner of OPWDD (the "Commissioner") has the authority to appoint a Temporary Operating Receiver ("TOR") when OPWDD determines that a temporary operator is necessary to ensure continuity of services at a facility, such as the Series 2021 Facilities. The Commissioner may appoint a TOR to assume sole responsibility for the operations of the facility for a limited period of time in the event that (i) the established operator is seeking extraordinary financial assistance; (ii) OPWDD demonstrates that the established operator is experiencing serious financial instability issues; (iii) OPWDD demonstrates that the established operator's board of directors or administration is unable or unwilling to ensure the proper operation of the program; or (iv) OPWDD indicates there are conditions that seriously endanger or jeopardize continued access to necessary services within the community. In addition, the established operator may at any time request the Commissioner to appoint a TOR.

The TOR is a provider of services that has been established and issued an operating certificate (an "Operating Certificate") for a facility, such as the Series 2021 Facilities, that (a) agrees to provide services on a temporary basis in the best interests of the individuals served by the program operating in the facility, (b) has a history of compliance with applicable law, rules and regulations and a record of providing care of good quality, as determined by the Commissioner and (c) prior to appointment as a TOR, develops a plan determined to be satisfactory by the Commissioner to address the program's deficiencies. The TOR shall use its best efforts to implement the plan deemed satisfactory by the Commissioner to correct or eliminate any deficiencies in the program and to promote the quality and accessibility of services in the community served by the provider of services. During the term of appointment, the TOR shall have the authority to direct the staff of the established operator as necessary to appropriately provide services for individuals. The initial term of the appointment of the TOR shall not exceed ninety days. After ninety days, if the Commissioner determines that termination of the TOR would cause significant deterioration of the quality of, or access to, care in the community or that reappointment is necessary to correct the deficiencies that required the appointment of the TOR, the Commissioner may authorize an additional ninety-day term. However, such authorization shall include the Commissioner's requirements for conclusion of the temporary operatorship to be satisfied within the additional term. Notwithstanding the appointment of a TOR, the established operator shall remain obligated for the continued provision of services.

The Mental Hygiene Law provides that no security interest in any real or personal property comprising the facility, contained within the facility or in any fixture of the facility, shall be impaired or diminished in priority by the TOR.

OPWDD Rights With Respect to Series 2021 Facilities

In addition to the statutory receivership remedy described above, each Series 2021 Loan Agreement provides for a contractual remedy upon the failure of a Series 2021 Participant to operate its Series 2021 Facilities in accordance with regulatory standards. Each Series 2021 Participant has covenanted and agreed in its Series 2021 Loan Agreement that in the event that it fails to operate a certified program for the developmentally disabled at one or more of its Series 2021 Facilities in accordance with the valid operating certificate issued by OPWDD for such Series 2021 Facility, in addition to any other legal remedies OPWDD may have, OPWDD shall have the right (after written notice and a request to remedy such failure and without resort to judicial proceedings) to use, possess and occupy such Series 2021 Facility for the remaining term during which such Series 2021 Participant has agreed to operate such certified program at the Series 2021 Facility and, further, may assign such rights to another operator. In such event, OPWDD or any assignee will be required to make the payments owed by the Series 2021 Participant under its Series 2021 Loan Agreement with respect to such Series 2021 Facility as they become due and owing. See "Appendix E - Summary of Certain Provisions of the Series 2021 Loan Agreements" for further details of OPWDD's rights with respect to the Series 2021 Facilities and DASNY's remedy upon an event of default by a Series 2021 Participant under its Series 2021 Loan Agreement to request OPWDD to exercise such rights.

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PART 6 – ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of proceeds of the Series 2021 Bonds:

	Subseries 2021A-1 Bonds	Subseries 2021A-2 Bonds
Estimated Sources of Funds		
Proceeds of Series 2021 Bonds	$24,605,000.00	$3,580,000.00
Net Original Issue Premium (Discount)	1,763,014.35	(12,170.45)
Total Sources of Funds	$26,368,014.35	$3,567,829.55
Estimated Uses of Funds		
Deposit to Project Loan Fund	$24,734,825.05	$2,229,359.96
Deposit to Series 2021 Debt Service Reserve Fund	817,115.74	176,491.61
Deposit to Series 2021 Account of Debt Service Fund	40,713.28	0.00
Underwriter's Discount	527,360.28	240,508.12
Costs of Issuance	248,000.00	921,469.86
Total Uses of Funds	$26,368,014.35	$3,567,829.55

PART 7 – DASNY

Background, Purposes and Powers

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Addiction Services and Supports, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services ("BOCES"), The State University of New York, the Workers' Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY's private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At March 31, 2021, DASNY had approximately $63 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). All of DASNY's outstanding bonds and notes, both fixed and variable rate, are special obligations of DASNY payable solely from payments required to be made by or for the account of the client institution for which the particular special obligations were issued. DASNY has no obligation to pay its special obligations other than from such payments. DASNY has always paid the principal of and interest on all of its obligations on time and in full; however, as a conduit debt issuer, payments on DASNY's special obligations are solely dependent upon payments made by DASNY's client for which the particular special obligations were issued and the security provisions relating thereto.

DASNY also offers a variety of construction services to certain educational, governmental and not-for-profit institutions in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, interior design of projects and designing and managing projects to rehabilitate older facilities.

In connection with the powers described above, DASNY has the general power to acquire real and personal property, give mortgages, make contracts, operate certain facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, borrow money and adopt a program of self-insurance.

DASNY has a staff of approximately 536 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 47 field sites across the State.

Governance

DASNY is governed by an eleven-member board. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

The Governor of the State appoints a Chair from the members appointed by him or her and the members of DASNY annually choose the following officers, of which the first two must be members of DASNY: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of DASNY are as follows:

ALFONSO L. CARNEY, JR., *Chair*, New York.

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

JOHN B. JOHNSON, JR., *Vice-Chair*, Watertown.

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Johnson is Chairman of the Board of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

BERYL L. SNYDER, J.D., *Secretary*, New York.

Beryl L. Snyder was reappointed as a member of DASNY by the Governor on June 19, 2013. Ms. Snyder is a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expired on August 31, 2016 and by law she continues to serve until a successor shall be chosen and qualified.

JONATHAN H. GARDNER, ESQ., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014. Mr. Gardner is a partner of the law firm Kavinoky Cook, LLP in Buffalo, New York. His practice areas include corporate and securities law, commercial transactions, private placements, venture capital financing and business combinations representing private and public companies. Mr. Gardner is also an adjunct professor at the University of Buffalo Law School. He holds a Bachelor of Arts degree from Brown University and a Juris Doctor degree from the University of Chicago Law School. Mr. Gardner's term expired on March 31, 2015 and by law he continues to serve until a successor shall be chosen and qualified.

WELLINGTON Z. CHEN, Queens.

Wellington Z. Chen was appointed as a Member of DASNY by the Governor on June 20, 2018. Mr. Chen is the Executive Director of the Chinatown Partnership Development Corporation. In this capacity, he leads the Chinatown Partnership in implementing initiatives in infrastructure, post 9/11 rebuilding and public space improvements in a comprehensive effort to improve the environmental and the business conditions. He is a graduate of the School of Architecture and Environmental Studies at The City College of New York. Mr. Chen's term expired on March 31, 2020 and by law he continues to serve until a successor shall be chosen and qualified.

JOAN M. SULLIVAN, Slingerlands.

Joan M. Sullivan was appointed as a Member of DASNY by the New York State Comptroller on March 26, 2019. Ms. Sullivan is President of On Wavelength Consulting LLC, a firm that assists governmental entities with development of public procurements and private companies with the preparation of effective responses to government solicitations. She possesses over 40 years of experience working in and for the government of New York State, including an expansive career at the New York State Office of State Comptroller where she last served as Executive Deputy Comptroller before accepting an appointment as Executive Director of The NYS Forum, Inc. Ms. Sullivan holds a Bachelor of Arts degree in Business Administration (Accounting) from Siena College.

GERARD ROMSKI, ESQ., Mount Kisco.

Gerard Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on May 9, 2016. He is Counsel and Project Executive for "Arverne by the Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, New York. Mr. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

JANICE McKINNIE, Buffalo.

Janice McKinnie was appointed as a Member of DASNY by the Speaker of the Assembly on June 12, 2020. Ms. McKinnie is the Executive Director of True Community Development Corporation where she has led various housing rehabilitation and development projects and has formed strategic alliances with local and regional community groups to promote affordable housing and economic growth within the area of Buffalo. She is also the owner of Developments By JEM, LLC, a construction and project development consulting firm and a New York State certified M/WBE business. Ms. McKinnie is a graduate of the State University College of Buffalo and holds a Master's degree in organizational leadership from Medaille College.

BETTY A. ROSA, I*nterim Commissioner of Education of the State of New York*, Bronx; ex-officio.

Dr. Betty A. Rosa was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective February 8, 2021. Previously Dr. Rosa assumed the role of Interim Commissioner of Education and President of the University of the State of New York from August 14, 2020 through February 7, 2021. Since September 2008, Dr. Rosa had served as a member of the Board of Regents and as Chancellor thereof from March 2016 through August, 2020. She started her career with the NYC Department of Education as a paraprofessional and later served as a teacher, assistant principal, principal in the Bronx and, upon appointment, assumed the responsibilities of

Superintendent of Community School District 8 then Senior Superintendent of the Bronx. Dr. Rosa is a nationally recognized education leader who has over 30 years of instructional and administrative experience with an expertise in inclusive education, cooperative teaching models, student achievement and policy implementation. She received a B.A. in psychology from the City College of New York and an Ed. M. and Ed. D. in Administration, Planning and Social Policy from Harvard University as well as two other Master of Science in Education degrees, one in Administration and Supervision and the other in Bilingual Education from the City College of New York and Lehman College respectively.

ROBERT F. MUJICA, JR., *Budget Director of the State of New York,* Albany; *ex-officio*.

Robert F. Mujica Jr. was appointed Director of the Budget by the Governor and began serving on January 14, 2016. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio. Prior to his appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, he advised various elected and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his Bachelor of Arts degree in Sociology from Brooklyn College at the City University of New York. He received his Master's degree in Government Administration from the University of Pennsylvania and holds a Juris Doctor degree from Albany Law School.

HOWARD A. ZUCKER, M.D., J.D., *Commissioner of Health of the State of New York*, Albany; *ex-officio*.

Howard A. Zucker, M.D., J.D., was appointed Commissioner of Health on May 5, 2015 after serving as Acting Commissioner of Health since May 5, 2014. Prior to that, he served as First Deputy Commissioner leading the State Department of Health's preparedness and response initiatives in natural disasters and emergencies. Before joining the State Department of Health, Dr. Zucker was professor of Clinical Anesthesiology at Albert Einstein College of Medicine of Yeshiva University and a pediatric cardiac anesthesiologist at Montefiore Medical Center. He was also an adjunct professor at Georgetown University Law School where he taught biosecurity law. Dr. Zucker earned his medical degree from George Washington University School of Medicine. He also holds a Juris Doctor degree from Fordham University School of Law and a Master of Laws degree from Columbia Law School.

The principal staff of DASNY are as follows:

REUBEN R. McDANIEL, III is the President and chief executive officer of DASNY, responsible for the overall management of DASNY's administration and operations. Mr. McDaniel possesses more than 30 years of experience in financial services, including public finance, personal wealth management, corporate finance and private equity. During his career in public finance, he participated in more than $75 billion in tax-exempt bond issuances throughout the country. He has also managed investment portfolios and business assets for a variety of professionals. He previously served as Chair of the Atlanta Board of Education for Public Schools. Mr. McDaniel holds an undergraduate degree in Economics and Mathematics from the University of North Carolina at Charlotte and a Master of Business Administration from the University of Texas at Austin.

PAUL G. KOOPMAN is the Vice President of DASNY and assists the President in the administration and operation of DASNY. Mr. Koopman joined DASNY in 1995 managing the Accounts Payable and Banking and Investment Units followed by management positions in the Construction Division including Managing Senior Director of Construction where he was the primary relationship manager for some of DASNY's largest clients and provided oversight of DASNY's construction administration functions. Most recently, Mr. Koopman served as Managing Director of Executive Initiatives of DASNY where he worked closely with executive staff on policy development, enterprise risk management, and strategic planning. His career in public service began in 1985 with the New York State Division of the Budget, and then continued as Chief Budget Analyst for the New York State Facilities Development Corporation. A graduate of the Rockefeller College of Public Affairs, he holds a Master of Arts degree in Public Administration with a Public Finance concentration, and a Bachelor of Arts degree in Political Science from the State University of New York, University at Albany.

KIMBERLY A. ELLIS is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Ellis is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable, financial reporting functions, payroll and information services, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Prior to her appointments to Chief Financial Officer and Treasurer, Ms. Ellis served in numerous senior positions within the Finance Division of DASNY, including as Deputy Financial Officer and Assistant Director of Investments, where she had direct involvement with the management of DASNY's financial operations, including DASNY's overall investment portfolio and the coordination and development of DASNY's annual operating budget and capital plans. Ms. Ellis holds a Bachelor of Science degree in Accounting from the State University of New York at Buffalo.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor of Arts degree from the State University of New York at Albany.

STEPHEN D. CURRO is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, resource acquisition, contract administration, interior design, real property, sustainability and engineering, as well as other technical services. Mr. Curro joined DASNY in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and has worked in the construction industry for more than 30 years. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CAROLINE V. GRIFFIN is the Chief of Staff of DASNY. She is responsible for overseeing intergovernmental relations and managing the Communications & Marketing Department, as well as coordinating policy and operations across DASNY's multiple business lines. Ms. Griffin most recently served as the Director of Intergovernmental Affairs for Governor Andrew M. Cuomo where she worked as the Governor's liaison with federal, state and local elected officials and managed staff serving in various capacities in the Governor's Office. Prior to that she served as the Assistant Executive Deputy Secretary for Governor Andrew M. Cuomo overseeing the operations staff and Assistant Secretary for Intergovernmental Affairs for both Governor David A. Paterson and Governor Eliot Spitzer. She holds a Bachelor of Arts degree in Communications from Boston College.

The position of General Counsel is currently vacant.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against DASNY, DASNY believes that such claims and litigation either are covered by insurance or by bonds filed with DASNY, or that DASNY has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such matters.

There is not now pending any litigation against DASNY (i) restraining or enjoining the issuance or delivery of the Series 2021 Bonds or (ii) challenging the validity of the Series 2021 Bonds or the proceedings and authority under which DASNY will issue the Series 2021 Bonds.

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by DASNY and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. DASNY obtains the approval of the PACB for the issuance of all of its bonds and notes.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect DASNY and its operations. DASNY is not able to represent whether such bills will be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities in the State (including DASNY) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect DASNY and its operations.

Environmental Quality Review

DASNY complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2020. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 8 - LEGALITY OF THE SERIES 2021 BONDS FOR INVESTMENT AND DEPOSIT

Under State law, the Series 2021 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control.

The Series 2021 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 9 - NEGOTIABLE INSTRUMENTS

The Series 2021 Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution, the Series 2021 Resolution and in the Series 2021 Bonds.

PART 10 - TAX MATTERS

Subseries 2021A-1 Bonds

Opinions of Co-Bond Counsel

In the respective opinions of Barclay Damon LLP and Lewis & Munday, A Professional Corporation, Co-Bond Counsel to DASNY, under existing law and assuming compliance with certain covenants described herein and the accuracy and completeness of certain representations, certifications of fact and statements of reasonable expectations made by DASNY, the Series 2021 Participants, as applicable, and others, interest on the Subseries 2021A-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Co-Bond Counsel are further of the opinion that interest on the Subseries 2021A-1 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code. Co-Bond Counsel are also of the opinion that, under existing statutes, interest on the Subseries 2021A-1 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers).

Co-Bond Counsel express no opinion regarding any other federal, state or local tax consequences with respect to the Subseries 2021A-1 Bonds. The opinions of Co-Bond Counsel speak as of their issue date and do not contain or provide any opinion or assurance regarding the future activities of DASNY, any Series 2021 Participant or about the effect of future changes in the Code, the applicable regulations, rulings, judicial decisions, the interpretation thereof or the enforcement thereof by the IRS. In addition, Co-Bond Counsel express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel (other than Co-Bond Counsel, to the extent that both Co-Bond Counsel render such opinion) regarding federal, state or local tax matters, including, without limitation, the exclusion of interest on the Subseries 2021A-1 Bonds from gross income for federal income tax purposes. See "Appendix H – Form of Approving Opinions of Co-Bond Counsel."

General

The Code imposes various requirements that must be met at and subsequent to the issuance and delivery of the Subseries 2021A-1 Bonds in order that interest on the Subseries 2021A-1 Bonds be and remain excluded from gross income for federal income tax purposes. Included among these requirements are restrictions on the use of proceeds of the Subseries 2021A-1 Bonds and the facilities financed or refinanced by such proceeds, restrictions on the investment of such proceeds and other amounts and the rebate of certain earnings in respect of such investments to the United States. Failure to comply with such requirements may cause interest on the Subseries 2021A-1 Bonds to be includible in gross income for federal income tax purposes retroactive to the date of issuance of the Subseries 2021A-1 Bonds irrespective of the date on which such noncompliance occurs. DASNY, each of the Series 2021 Participants, as applicable, and others have made certain representations, certifications of fact, and statements of reasonable expectations and DASNY and each of the Series 2021 Participants, as applicable, have given certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Subseries 2021A-1 Bonds from gross income under Section 103 of the Code. The opinions of Co-Bond Counsel assume continuing compliance with such covenants as well as the accuracy and completeness of such representations, certifications of fact, and statements of reasonable expectations. In addition, in rendering their respective opinions, Co-Bond Counsel have relied on the opinion of counsel to the Series 2021 Participants regarding, among other matters, the current status of the Series 2021 Participants as organizations described in Section 501(c)(3) of the Code.

In the event of the inaccuracy or incompleteness of any such representation, certification of fact or statements of reasonable expectations, or of the failure by DASNY or any Series 2021 Participant to comply with any such covenant, the interest on the Subseries 2021A-1 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of original execution and delivery of the Subseries 2021A-1 Bonds, regardless of the date on which the event causing such inclusion occurs. Further, although the interest on the Subseries 2021A-1 Bonds is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a Beneficial Owner of a Subseries 2021A-1 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a Beneficial Owner of a Subseries 2021A-1 Bond and such Beneficial Owner's other items of income, deduction or credit. Co-Bond Counsel express no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition, or the accrual or receipt of interest on, the Subseries 2021A-1 Bonds.

Certain Collateral Federal Income Tax Consequences

Prospective purchasers of the Subseries 2021A-1 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Subseries 2021A-1 Bonds may have collateral federal income tax consequences for certain taxpayers, including financial corporations, insurance companies, Subchapter S corporations, certain foreign corporations, individual recipients of social security or railroad retirement benefits, individuals benefiting from the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their own tax advisors as to any possible collateral consequences of their ownership of, accrual or receipt of interest on, or disposition of the Subseries 2021A-1 Bonds. Co-Bond Counsel express no opinion regarding any such collateral federal income tax consequences.

Original Issue Discount

The excess of the principal amount of a maturity of a Subseries 2021A-1 Bond over the issue price of such maturity of a Subseries 2021A-1 Bond (a “Tax-Exempt Discount Bond”) constitutes “original issue discount,” the accrual of which, to the extent properly allocable to the Beneficial Owner thereof, constitutes “original issue discount” which is excluded from gross income for federal income tax purposes to the same extent as interest on such Tax-Exempt Discount Bond. For this purpose, the issue price of a maturity of Subseries 2021A-1 Bonds is the first price at which a substantial amount of such maturity of Subseries 2021A-1 Bonds is sold to the public. Further, such original issue discount accrues actuarially on a constant yield basis over the term of each Tax-Exempt Discount Bond and the basis of such Tax-Exempt Discount Bond acquired at such initial offering price by an initial purchaser of each Tax-Exempt Discount Bond will be increased by the amount of such accrued discount. Beneficial Owners of Tax-Exempt Discount Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Discount Bonds.

Bond Premium

The Subseries 2021A-1 Bonds purchased, whether at original issuance or otherwise, at prices greater than the stated principal amount thereof are "Tax-Exempt Premium Bonds." Tax-Exempt Premium Bonds will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain circumstances, the Beneficial Owner of Tax-Exempt Premium Bonds may realize taxable gain upon disposition of such Tax-Exempt Premium Bonds even though sold or redeemed for an amount less than or equal to such owner's original cost of acquiring Tax-Exempt Premium Bonds. The amortization requirements may also result in the reduction of the amount of stated interest that a Beneficial Owner of Tax-Exempt Premium Bonds is treated as having received for federal tax purposes (and an adjustment to basis). Beneficial Owners of Tax-Exempt Premium Bonds are advised to consult with their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Premium Bonds.

Backup Withholding and Information Reporting

Interest paid on tax-exempt obligations is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. Interest on the Subseries 2021A-1 Bonds may be subject to backup withholding if such interest is paid to a registered owner who or which (i) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (ii) has been identified by the IRS as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the IRS as federal income tax withheld on behalf of the registered owner of the Subseries 2021A-1 Bonds and would be allowed as a refund or credit against such owner's federal income tax liability (or the federal income tax liability of the beneficial owner of the Subseries 2021A-1 Bonds, if other than the registered owner).

Legislation

Current and future legislative proposals, if enacted into law, administrative actions or court decisions, at either the federal or state level, may cause interest on the Subseries 2021A-1 Bonds to be subject, directly or indirectly, to federal income taxation or to be subjected to state income taxation, or otherwise have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Subseries 2021A-1 Bonds for federal or state income tax purposes. The introduction or enactment of any such legislative proposals, administrative actions or court decisions may also affect, perhaps significantly, the value or marketability of the Subseries 2021A-1 Bonds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of Beneficial Owners of the Subseries 2021A-1 Bonds may occur. Prospective purchasers of the Subseries 2021A-1 Bonds should consult their own advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Co-Bond Counsel express no opinion. The opinions of Co-Bond Counsel are based on current legal authority, cover certain matters not directly addressed by such authority and represents the judgment of Co-Bond Counsel as to the proper treatment of the Subseries 2021A-1 Bonds for federal income tax purposes. They are not binding on the IRS or the courts.

Post Issuance Events

Co-Bond Counsel's engagement with respect to the Subseries 2021A-1 Bonds ends with the issuance of the Subseries 2021A-1 Bonds and, unless separately engaged, Co-Bond Counsel are not obligated to defend DASNY, the Series 2021 Participants or the Beneficial Owners regarding the tax-exempt status of interest on the Subseries 2021A-1 Bonds in the event of an audit examination by the

IRS. Under current procedures, parties other than DASNY and its appointed counsel, including the Series 2021 Participants and the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which DASNY legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Subseries 2021A-1 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Subseries 2021A-1 Bonds, and may cause DASNY, the Series 2021 Participants, as applicable, or the Beneficial Owners to incur significant expense.

Prospective purchasers of the Subseries 2021A-1 Bonds should consult their own tax advisors regarding the foregoing matters.

Subseries 2021A-2 Bonds

Opinions of Co-Bond Counsel

In the respective opinions of Barclay Damon LLP and Lewis & Munday, A Professional Corporation, Co-Bond Counsel to DASNY, interest on the Subseries 2021A-2 Bonds is not excluded from gross income for federal income tax purposes and is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers).

Co-Bond Counsel express no opinion regarding any other federal, state or local tax consequences with respect to the Subseries 2021A-2 Bonds. The opinions of Co-Bond Counsel speak as of their issue date and do not contain or provide any opinion or assurance regarding the future activities of DASNY, any Series 2021 Participant or about the effect of future changes in the Code, the applicable regulations, rulings, judicial decisions, the interpretation thereof or the enforcement thereof by the IRS. See "Appendix H – Form of Approving Opinions of Co-Bond Counsel."

General

The following discussion is a brief summary of certain United States federal income tax consequences of the acquisition, ownership and disposition of Subseries 2021A-2 Bonds by original purchasers of the Subseries 2021A-2 Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Subseries 2021A-2 Bonds will be held as "capital assets;" and (iii) does not discuss all of the United States federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Subseries 2021A-2 Bonds as a position in a "hedge" or "straddle," holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Subseries 2021A-2 Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Subseries 2021A-2 Bonds should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Subseries 2021A-2 Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Certain taxpayers that are required to prepare certified financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Subseries 2021A-2 Bonds at the time that such income, gain or loss is taken into account on such financial statements instead of under the rules described below.

As used herein, the term "U.S. Holder" means a Beneficial Owner of a Subseries 2021A-2 Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Interest on the Subseries 2021A-2 Bonds

Interest on the Subseries 2021A-2 Bonds that is "qualified stated interest" generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or received (in accordance with the U.S. Holder's regular method of tax accounting). Generally, "qualified stated interest" means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate and includes the semi-annual interest payments on the Subseries 2021A-2 Bonds.

Original issue discount with respect to a Subseries 2021A-2 Bond is equal to the excess of the stated redemption price at maturity of a Subseries 2021A-2 Bond over the initial offering price thereof to the public at which price a substantial amount of all Subseries 2021A-2 Bonds with the same maturity were sold, provided that such excess equals or exceeds a de minimis amount (generally ¼% of the product of the stated redemption price of a bond at maturity and the number of complete years from its issue date to its maturity) (a "Taxable Discount Bond"). The stated redemption price at maturity of a Taxable Discount Bond is the sum of all scheduled amounts payable on the Taxable Discount Bond (other than qualified stated interest). A U.S. Holder of Taxable Discount Bonds must include the discount in income as ordinary interest for federal income tax purposes as it accrues in advance of receipt of cash payments attributable to such income, regardless of the U.S. Holder's regular method of tax accounting. Original issue discount accrues actuarially on a constant yield basis over the term of each Taxable Discount Bond and the basis of such Taxable Discount Bond acquired at such initial offering price by an initial purchaser of each Taxable Discount Bond will be increased by the amount of such accrued discount. U.S. Holders of any Taxable Discount Bonds should consult with their own tax advisors with respect to the tax consequences of ownership of such Taxable Discount Bond.

In general, if a U.S. Holder purchases a Subseries 2021A-2 Bond at a price greater than the principal amount payable at maturity, such U.S. Holder will be considered to have purchased the Subseries 2021A-2 Bond at a premium (the "Taxable Premium Bond"), and generally may elect to amortize the premium as an offset to interest income otherwise required to be included in respect of a Taxable Premium Bond during a taxable year, using a constant-yield method, over the remaining term of the Taxable Premium Bond. If a U.S. Holder makes the election to amortize the premium, it generally will apply to all taxable debt instruments held by such U.S. Holder at the beginning of the first taxable year to which the election applies, as well as any debt instruments that are subsequently acquired by such U.S. Holder. In addition, a U.S. Holder may not revoke the election without the consent of the IRS. If such U.S. Holder elects to amortize the premium, such U.S. Holder will be required to reduce its tax basis in the Taxable Premium Bond by the amount of the premium amortized during the holding period of the U.S. Holder. If a U.S. Holder does not elect to amortize the premium and holds the Taxable Premium Bond to maturity, the premium will decrease the amount of gain or increase the amount of loss otherwise recognized on the disposition of such Taxable Premium Bond. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules for determining the amount of amortizable bond premium may apply. U.S. Holders of any Taxable Premium Bonds should consult with their own tax advisors with respect to the tax consequences of ownership of Taxable Premium Bonds.

Certain non-corporate U.S. Holders will be subject to a 3.8% tax, in addition to regular tax on income and gains, on some or all of their net investment income, which generally will include interest on the Subseries 2021A-2 Bonds and any net gain recognized upon a disposition of a Subseries 2021A-2 Bond. U.S. Holders should consult with their tax advisors regarding the applicability of this tax.

Disposition and Defeasance

Upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Subseries 2021A-2 Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Subseries 2021A-2 Bond.

U.S. Holders should be aware that, for federal income tax purposes, DASNY may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Subseries 2021A-2 Bonds to be deemed to be no longer outstanding under the General Resolution (a "defeasance"). (See "Appendix F - Summary of Certain Provisions of the Resolutions"). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for federal income tax purposes, the character and timing of receipt of payments on the Subseries 2021A-2 Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Subseries 2021A-2 Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for federal income tax purposes and for state and local purposes.

Backup Withholding and Information Reporting

In general, interest paid on taxable obligations is subject to information reporting to the IRS. Interest on the Subseries 2021A-2 Bonds may be subject to backup withholding if such interest is paid to a registered owner who or which (i) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (ii) has been identified by the IRS as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the IRS as federal income tax withheld on behalf of the registered owner of the Subseries 2021A-2 Bonds and will be allowed as a refund or credit against such owner's federal income tax liability (or the federal income tax liability of the beneficial owner of the Subseries 2021A-2 Bonds, if other than the registered owner).

Under the Foreign Account Tax Compliance Act ("FATCA"), foreign financial institutions must comply with information reporting rules with respect to their U.S. account holders and investors or be required to withhold tax on certain payments on, and proceeds from the sale or disposition of, obligations that produce U.S. source income to foreign financial institutions.

Legislation

Legislation considered by the Federal government, or the New York State Legislature, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Subseries 2021A-2 Bonds under state law and could affect the market value or marketability of the Subseries 2021A-2 Bonds.

Prospective purchasers of the Subseries 2021A-2 Bonds should consult their own tax advisors regarding the foregoing matters.

PART 11 - BONDHOLDERS' RISKS

General

The Series 2021 Bonds involve a certain degree of risk. Prospective investors in the Series 2021 Bonds should carefully review all of the information in this Official Statement, including the Appendices, as well as information incorporated herein by reference, prior to purchasing any of the Series 2021 Bonds. This Official Statement contains only summaries of the Resolution, the Series 2021 Resolution, the Series 2021 Loan Agreements and the related documents. Prospective investors are urged to read such documents in their entirety prior to investing in the Series 2021 Bonds. Copies of such documents may be obtained from the Underwriter prior to the issuance of the Series 2021 Bonds. See Appendix A for a discussion of the financial condition and results of operations of the Series 2021 Participants, Appendix B for copies of the audited financial statements of the Series 2021 Participants, and Appendix C for copies of recent unaudited financial information for each of the Series 2021 Participants.

Set forth below are certain risk factors affecting an investment in the Series 2021 Bonds, including, among others, risk factors that could adversely affect a Series 2021 Participant's operations, revenues and expenses, including those relating to its Series 2021 Facilities, to an extent which cannot be determined at this time. Such risk factors should be considered before any investment in the Series 2021 Bonds is made. These risk factors should not be considered definitive or exhaustive.

Special, Limited Obligations of DASNY

The Series 2021 Bonds are special, limited obligations of DASNY payable solely from revenues expected to be received by DASNY from the Series 2021 Participants pursuant to their respective Series 2021 Loan Agreement and from amounts held in the funds established pursuant to the Resolutions (other than the Arbitrage Rebate Fund). The Series 2021 Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

Several Obligations of Series 2021 Participants

The obligations of each Series 2021 Participant under its Series 2021 Loan Agreement are independent of the obligations of each other Series 2021 Participant under their respective Series 2021 Loan Agreements. A failure by a Series 2021 Participant to timely pay its obligations under its Series 2021 Loan Agreement might result in an event of default under the Resolutions with respect to such Series 2021 Participant's Allocable Portion of the Series 2021 Bonds. Upon the happening and continuance of an event of default affecting only a Defaulted Allocable Portion of the Series 2021 Bonds, payment on such Defaulted Allocable Portion of Series 2021 Bonds will be limited to amounts received from or payable by or on behalf of such Series 2021 Participant and amounts derived upon the realization of any security or collateral granted by such defaulting Series 2021 Participant. With respect to Series 2021 Bonds comprising part of a Defaulted Allocable Portion of the Series 2021 Bonds, Holders of such Series 2021 Bonds will have no right to any other Revenues or any other funds held by the Trustee under the Resolution derived from payments made by or on behalf of any other Series 2021 Participant for the payment of other Series 2021 Bonds or any other security pledged by such other non-defaulting Series 2021 Participants as security for their loans. The Series 2021 Bonds that comprise a Defaulted Allocable

Portion of the Series 2021 Bonds will be selected by the Trustee in the same manner as Series 2021 Bonds selected for extraordinary mandatory redemption as described in the Resolution. See "PART 1 - INTRODUCTION - Limitations on Payment and Security Upon the Occurrence of Certain Events of Default," "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS - Events of Default - Special Provisions Relating to Defaults," "PART 3 - THE SERIES 2021 BONDS - Redemption Provisions" and "Appendix F - Summary of Certain Provisions of the Resolutions."

Reliance on Credit of the Series 2021 Participants

The Series 2021 Bonds are being issued without credit enhancement in the form of a letter of credit or bond insurance. While the amounts payable to the Series 2021 Participants pursuant to their respective PPAs are expected to provide moneys approximately sufficient to pay annual debt service on their respective loans for the Series 2021 Facilities supported by such PPA or PPAs (with any difference between the two amounts covered by the Pledged Revenues of such Series 2021 Participant expected to be received for operating and administrative expenses associated with such Series 2021 Facility), there can be no assurance that the funds received by a particular Series 2021 Participant pursuant to its PPA or PPAs (or by DASNY or the Trustee upon the intercept of such OPWDD Intercept Funds) will be sufficient for the repayment of such Series 2021 Participant's Allocable Portion of the Series 2021 Bonds attributable to the Series 2021 Facilities to which the PPA or PPAs relate (whether because of non-appropriation of funds by the State, failure of a Series 2021 Participant to operate its Series 2021 Facility or Facilities in accordance with operational standards, a prior pledge of such PPA or otherwise).

The payment obligations of the Series 2021 Participants are several, not joint. The Holders of the Series 2021 Bonds must therefore rely upon the credit of each Series 2021 Participant for the payment of the Series 2021 Bonds (and not the credit of DASNY, the Trustee, the Underwriter, the Program Facilitator, the State or any municipality or agency of the State). See "PART 1 - INTRODUCTION - Additional Security - Pledged Revenues and Standby Intercepts," "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS - Security for the Series 2021 Bonds," and "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities." For the purposes of a Series 2021 Loan Agreement delivered by more than one entity, the payment obligations for a Series 2021 Participant shall be joint and several with respect to the entities comprising such Series 2021 Participant.

Each Series 2021 Participant covenants in its Series 2021 Loan Agreement that it has maintained in its current Fiscal Year and it will maintain in each Fiscal Year subsequent to the date of delivery of its Series 2021 Loan Agreement Total Net Revenues Available for Debt Service sufficient to produce in each Fiscal Year a Total Debt Service Coverage Ratio of not less than 1.00 to 1.00; provided, however, that failure by a Series 2021 Participant in any Fiscal Year to demonstrate compliance with the Total Debt Service Coverage Ratio shall not constitute an Event of Default under the Series 2021 Loan Agreement if such Series 2021 Participant delivers to DASNY, the Underwriter and the Trustee, by the last day of the next succeeding Fiscal Year, a certificate of an Authorized Officer of such Series 2021 Participant along with a schedule or schedules demonstrating compliance with the Total Debt Service Coverage Ratio for a rolling 12-month period ending no earlier than 90 days after the end of the Fiscal Year for which such Series 2021 Participant is unable to demonstrate compliance.

Revenues of Series 2021 Participants

Future revenues of each Series 2021 Participant are dependent upon, among other things, legislative appropriations, federal and State policy, the outcome of current and potential litigation and other conditions that are unpredictable, some of which are discussed below. The ability to pay principal of and interest on the Series 2021 Bonds depends upon the receipt by the Trustee of the Loan Repayments under the Series 2021 Loan Agreements. Some of the risks that could affect the ability of one or more of the Series 2021 Participants to pay such amounts are failure of (i) the legislature of the State, or any of the counties or cities in which Series 2021 Participants operate, to approve sufficient appropriations for the purchase of services from the Series 2021 Participants; (ii) the State or various county and city departments to make timely payments to the Series 2021 Participants of appropriated amounts caused by revenue short falls or other State or local fiscal considerations; (iii) the Series 2021 Participants to fulfill their obligations which entitle them to receive payments, including payments under their respective PPAs; (iv) the Series 2021 Participants to maintain the appropriate certifications from the required licensing or certifying entity(ies) to provide services as required; and (v) the Series 2021 Participants to obtain the renewal of their contracts to provide services.

In addition, a Series 2021 Participant's license and/or certification may be revoked for failure to comply with standards of operation applicable to such Series 2021 Participant, or a Series 2021 Participant may cease operations of its respective Series 2021 Facility due to insolvency. In such events, OPWDD may not be able to timely identify and install a replacement operator to assume the operation of the applicable Series 2021 Facility, and thus there may be insufficient revenues to pay principal and interest on the Series 2021 Bonds. See generally "PART 5—SOURCES OF SERIES 2021 PARTICIPANT REVENUE—New York State Office for People with Developmental Disabilities - Commissioner's Ability to Appoint a Temporary Operating Receiver for a Facility; Security Interests" and "- OPWDD Rights with Respect to Series 2021 Facilities."For the purposes of a Series 2021 Loan Agreement delivered by more than one entity, only certain of such entities comprising such Series 2021 Participant may receive revenues as described in this section. See Appendix A for further details.

Further, the enactment of additional legislation imposing new regulatory challenges, increasing costs of operation or reducing reimbursement rates could adversely affect the financial condition of Series 2021 Participants. Any one of such adverse events may result in insufficient revenues to pay the principal and interest on the Series 2021 Bonds.

Payment Defaults May Affect More Than One Series of Bonds Issued Under the Resolution

Upon the issuance of any other Series of Bonds for the benefit of one or more of the Series 2021 Participants, the applicable Series 2021 Participant and DASNY shall enter into one or more separate loan agreements. The Series 2021 Bonds are separately secured from all other Series of Bonds and the Holders of any Series of Bonds other than the Series 2021 Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2021 Bonds. While an event of default with respect to another Series of Bonds will not necessarily result in an event of default with respect to the Series 2021 Bonds, an event of default by a Series 2021 Participant under a loan agreement entered into in connection with the issuance of another Series of Bonds will result in an "Event of Default" under such Series 2021 Participant's Series 2021 Loan Agreement. See "PART 1 - INTRODUCTION - Authorization of Issuance" and "- Security for the Series 2021 Bonds" and "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS."

Enforceability of Remedies; Effect of Bankruptcy of a Series 2021 Participant

The Series 2021 Bonds are payable from the sources and are secured as described in this Official Statement. The practical realization of value from the collateral for the Series 2021 Bonds described herein upon any default will depend upon the exercise of various remedies specified by the Resolutions, the respective Series 2021 Loan Agreements, the respective Mortgages, if any, or other security agreements, if applicable, and the then-value of the collateral and other regulatory approvals. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay.

Under existing law, the remedies specified by the Resolutions, the Series 2021 Loan Agreements and the Mortgages may not be readily available or may be limited. A court may decide not to order the performance of the covenants contained in those documents. The legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds will be qualified as to the enforceability of the various agreements and other instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

The rights and remedies of the Holders of the Series 2021 Bonds are subject to various provisions of Title 11 of the United States Code (the "Bankruptcy Code"). If a Series 2021 Participant were to file a petition for relief under the Bankruptcy Code, the filing would automatically stay the commencement or continuation of any judicial or other proceedings against such Series 2021 Participant and its property, including the commencement of foreclosure proceedings under its Mortgage, if applicable. Such Series 2021 Participant would not be permitted or required to make payments of principal or interest under its Series 2021 Loan Agreement unless an order of the United States Bankruptcy Court were issued for such purpose. In addition, without an order of the United States Bankruptcy Court, the automatic stay may serve to prevent DASNY from intercepting the Series 2021 Participant's Intercept Funds pursuant to the applicable Intercept Agreement or the Trustee from applying amounts on deposit in the accounts established with respect to such Series 2021 Participant under the Resolutions from being applied in accordance with the provisions of the Resolutions and the application of such amounts to the payment of principal of, and interest on, such Series 2021 Participant's Allocable Portion of the Series 2021 Bonds. Moreover, any motion for an order terminating the automatic stay and permitting such intercept or accounts to be applied in accordance with the provisions of the Resolutions would be subject to the discretion of the United States Bankruptcy Court, and may be subject to objection and/or comment by other creditors of such Series 2021 Participant, which could affect the likelihood or timing of obtaining such relief. In addition, if the Mortgage of such defaulting Series 2021 Participant is assigned by DASNY to the Trustee as described herein and the value of the related Mortgaged Property is less than the principal amount of such Series 2021 Participant's total Loan Repayment obligation at the time of a bankruptcy proceeding, the security interest of the Trustee in such property is subject to the claims of creditors that the mortgaged indebtedness in excess of the then-fair market value of the Mortgaged Property is unsecured and, therefore, to the extent of such excess is not entitled to a secured priority position in the administration of the bankruptcy estate.

A Series 2021 Participant could file a plan for the adjustment of its debts in a proceeding under the Bankruptcy Code, which plan could include provisions modifying or altering the rights of creditors generally, or any class of them, whether secured or unsecured. The plan, when confirmed by the United States Bankruptcy Court, would bind all creditors who have notice or knowledge of the plan and would discharge all claims against such Series 2021 Participant provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Mortgages

Mortgages Not Currently Security for Series 2021 Bonds

The Mortgages do not presently provide any security for the Series 2021 Bonds. However, under certain circumstances described herein, one or more of the Mortgages may be assigned to the Trustee. Prior to any assignment of a Mortgage to the Trustee, each applicable Series 2021 Loan Agreement provides that (a) DASNY, without the consent of the Trustee or the Holders of the Series 2021 Bonds, may consent to the amendment, modification, termination, subordination or satisfaction of such Mortgage and of any security interest in furniture, fixtures or equipment financed with the proceeds of the Series 2021 Bonds located in or on or used in connection therewith and (b) the property subject to such Mortgage or security interest may be released from the lien thereof. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS - Security for the Series 2021 Bonds – Mortgages."

Pledge of Property Under Mortgages

The security interest in the Mortgaged Property granted under a Mortgage may be affected by various matters, including, (i) rights arising in favor of the United States of America or any agency thereof, (ii) present or future prohibitions against assignment in any applicable federal or state statutes or regulations, (iii) constructive trusts, equitable liens or other rights imposed or conferred by any state or federal court in the exercise of its equitable jurisdiction and rights of donors of property, (iv) claims that might obtain priority if continuation statements are not filed in accordance with applicable laws, (v) the rights of holders of prior perfected security interests in equipment and other goods owned by a Series 2021 Participant and included in the Mortgaged Property and the proceeds of sale of such property, (vi) statutory liens and other liens arising as a matter of law, (vii) the rights of parties secured by other liens or encumbrances permitted by the applicable Series 2021 Loan Agreements or the applicable Mortgages and (viii) claims by creditors that the mortgaged indebtedness in excess of the then-fair market value of the Mortgaged Property is unsecured to the extent of such excess.

Insufficiency of Mortgage Foreclosure; Environmental Impairment of Property

One of the options under each applicable Series 2021 Participant's Series 2021 Loan Agreement, and one of the options under the Resolution, is to institute foreclosure proceedings to enforce the lien on and sell such Series 2021 Participant's Mortgaged Property, if any, in the event of a default under its Series 2021 Loan Agreement, its Mortgage(s) or the Resolutions. However, due to the limited uses for which a Series 2021 Participant's Mortgaged Property may be utilized, none of DASNY, the Program Facilitator, the Trustee, the applicable Series 2021 Participant, or the Underwriter makes any assurance or representation that DASNY or the Trustee will be able to effect a sale of a Series 2021 Participant's Mortgaged Property or, if such Mortgaged Property is sold, that the proceeds received upon a foreclosure or other sale, along with all moneys of such Series 2021 Participant on deposit in the various funds established under the Resolution, will be sufficient to pay in full the principal of, or interest on, the Allocable Portion of the Series 2021 Bonds attributable to such defaulting Series 2021 Participant.

In exercising the rights of foreclosure under a Mortgage, DASNY or the Trustee, as the case may be, in accordance with current commercial lending practices, may perform a Phase I Environmental Audit to determine the presence or likely presence of a release or a substantial threat of a release of any hazardous materials at, on, to, or from the Mortgaged Property. If the audit indicates the existence of hazardous materials with respect to the Mortgaged Property, the Trustee or DASNY, as applicable, may conclude that it is not in the best interests of the Bondholders to foreclose on such property due to liability for removal of hazardous materials. In such an event, the Trustee or DASNY may decline to exercise foreclosure with respect to Mortgaged Property under a Mortgage without specific instructions from Bondholders and receipt of funds, security and/or indemnity from the Bondholders reasonably satisfactory to such party to pay the costs, expenses, and liabilities which might be incurred by its compliance with such instructions. Consequently, the existence, post-acquisition, of hazardous materials with respect to any Mortgaged Property could severely limit the ability, due to the economic liability associated with removal of such materials, to foreclose on such property and/or obtain the market value for such property in security for the Series 2021 Bonds that would otherwise have been available absent the existence of such hazardous materials.

Another option under a Series 2021 Participant's Series 2021 Loan Agreement is to institute proceedings to enforce the lien on and sell the Series 2021 Participant's Equipment (as defined in each Mortgage) in the event of a default under its Series 2021 Loan Agreement, its Mortgage(s) or the Resolutions. However, due to the limited uses for which a Series 2021 Participant's Equipment may be utilized, none of DASNY, the Program Facilitator, the Trustee, the applicable Series 2021 Participant, or the Underwriter makes any assurances or representations that DASNY or the Trustee will be able to sell a Series 2021 Participant's Equipment or, if such Equipment is sold, that the proceeds received upon a sale, along with all moneys on deposit in the various funds of the Series 2021 Participant established under the Resolution, would be sufficient to pay in full the principal of, or interest on, the Series 2021 Bonds attributable to such defaulting Series 2021 Participant.

No Approval by New York State Supreme Court

Section 510 of the New York Not-For-Profit Corporation Law ("NFPCL") requires State Supreme Court approval of any "sale, lease, exchange or other disposition" of "all, or substantially all, the assets" of a not-for-profit corporation such as the Series 2021 Participants. Such approval was not sought in connection with the execution, delivery and performance by the Series 2021 Participants of the Mortgages or the pledges of assets and revenues that are contemplated by the Resolutions and the Series 2021 Loan Agreements. It is the opinion of counsel to the Series 2021 Participants that such actions do not require approval pursuant to NFPCL §510. However, absent court decisions definitively resolving this issue, it cannot be ruled out that a defendant in a foreclosure action may raise as an affirmative defense the failure to obtain NFPCL §510 court approval.

Release of Series 2021 Facilities from Lien of Mortgages

Each Series 2021 Loan Agreement, each Mortgage and the Resolutions provide a Series 2021 Participant the ability to prepay a portion of its loan attributable to a Series 2021 Facility and, upon the redemption or defeasance of the related Series 2021 Bonds, to have such Series 2021 Facility released from the lien of the applicable Mortgage. There is no assurance that the security, if any, provided by the remaining Series 2021 Facilities subject to the lien of such Mortgage, if any, will be sufficient to pay the then outstanding principal and interest (or other amounts due) with respect to such Series 2021 Participant's Allocable Portion of the Series 2021 Bonds. In the event of a default by a Series 2021 Participant, none of DASNY, the Trustee, the Program Facilitator or any Bondholder will have any recourse to, claim against or right of contribution from any other non-defaulting Series 2021 Participant.

In view of the foregoing, investors should rely on their own examination of the creditworthiness and financial condition of each of the Series 2021 Participants and the terms of this offering, including, without limitation, the merits and risks involved and the uncertainties associated with the possible limitations or inability to enforce the remedies set forth in the Mortgages, in the event that the Mortgages are assigned to the Trustee by DASNY.

Non-Appropriation of State, County and City Departments' Funds

The Series 2021 Participants are subject to Federal, State and local actions, including, among others, actions by the various State, county and city departments. The Series 2021 Bonds are payable from operating revenues of the Series 2021 Participants, which depend in large measure upon the appropriations of the State for the funds of the various State, county and city departments that have contracts with the Series 2021 Participants. HOWEVER, THE OBLIGATION OF THE VARIOUS STATE, COUNTY AND CITY DEPARTMENTS TO RENEW SUCH CONTRACTS IS SUBJECT TO ANNUAL REEVALUATION BY THE DEPARTMENT OBTAINING THE CONTRACT AS PART OF ITS ANNUAL BUDGET APPROPRIATION PROCESS. EACH YEAR THE STATE LEGISLATURE, WHICH HAS THE RESPONSIBILITY OF APPROPRIATING AND ALLOCATING STATE RESOURCES AMONG THE STATE'S VARIOUS DEPARTMENTS, HAS THE RIGHT, IN ITS SOLE DISCRETION, EITHER (I) TO APPROPRIATE SUFFICIENT FUNDS, FROM WHATEVER SOURCE, TO FUND IN WHOLE OR IN PART THE VARIOUS DEPARTMENTS' BUDGETS FROM WHICH THE CONTRACTS PROCURED FOR THE NEXT FISCAL YEAR ARE TO BE PAID, OR (II) TO APPROPRIATE INSUFFICIENT FUNDS TO MAKE SUCH PAYMENTS OR (III) NOT TO APPROPRIATE ANY FUNDS FOR THE VARIOUS DEPARTMENTS' BUDGETS FROM WHICH CONTRACTS ARE TO BE PROCURED AND PAID.

In particular, the ability of the State, county, and city departments to disburse Medicaid reimbursements, and other State, county and city departments to fund contracts of the Series 2021 Participants, is limited in part by the amount of revenues collected, as well as the amount of appropriations authorized, by the State for such fiscal year. Failure of the State to receive sufficient revenues to fund appropriations for such fiscal year and/or the failure of the Series 2021 Participants to generate sufficient revenues from other sources (or have access to sufficient fund balances) to make the scheduled Loan Repayments that are to be used by the Trustee to repay the Series 2021 Bonds, will materially adversely affect a Series 2021 Participant's ability to make its Loan Repayments and, consequently, the repayment of the Series 2021 Bonds attributable to such Series 2021 Participant.

Federal Medicaid Reform

A majority of the Public Funds (including the Intercept Funds) are received from Medicaid. Future Medicaid reform may materially adversely affect the Public Funds received by the Series 2021 Participants. Various federal legislative proposals have recently been made in connection with health care reform that could, among other things, reduce or unfavorably restructure Medicaid funding. Management of the Series 2021 Participants cannot predict whether any such proposals will become law. If enacted into law, such proposals could adversely affect the Public Funds received by, and the revenues available to, Series 2021 Participants and therefore, their ability to pay debt service on their Allocable Portion of the Series 2021 Bonds.

Completion of the Projects; Zoning; Certificate of Occupancy

The acquisition of all of the Series 2021 Facilities are complete. Each of the Series 2021 Facilities has received a certificate of occupancy or from the applicable local jurisdiction. Updated certificates of occupancy, certificates of compliance or letters of completion are required for all of the Series 2021 Facilities except for DDI's Series 2021 Facility located at 27 Leslie Lane, Smithtown, New York, IAHD's Series 2021 Facilities located at 632 Manida Street, Bronx, New York and 621 Bryant Avenue, Bronx, New York and QSAC's Series 2021 Facilities located at 1 Kenmore Place, Dix Hills, New York, 36 Dock Lane, Dix Hills, New York and 369 Woodfield Road, West Hempstead, New York.

Each Series 2021 Facility may require special use permits or certificates of compliance or other zoning approval (each, a "Certificate") from the applicable municipality. Failure of a Series 2021 Participant to obtain an appropriate Certificate where the same is required could materially adversely affect the financial position of such Series 2021 Participant. Moreover, the failure of a Series 2021 Participant's Series 2021 Facilities to receive a Certificate when required could materially adversely impact either the Series 2021 Participant's, the Trustee's or another party's right to use or occupy the Series 2021 Facility, before or after the exercise of default remedies.

OPWDD operating certificates, which permit the Series 2021 Participants to operate their Series 2021 Facilities for their intended purposes, have been issued by OPWDD for each of the Series 2021 Facilities except for Citizen's Series 2021 Facility located at 588 Bellmore Street, West Islip, New York.

In addition, operating certificates have been issued for the programs which will be relocated to the following Series 2021 Facilities when the renovations at such Series 2021 Facilities have been completed: HeartShare's Series 2021 Facility located at 53 Dreyer Avenue, Staten Island, New York and YAI's Series 2021 Facilities located at 21-60 31st Street, Astoria, New York and 111-20 115th Street, 1st and 2nd floors, South Ozone Park, New York.

Additional Indebtedness

Under its Series 2021 Loan Agreement, each Series 2021 Participant has the ability to incur additional debt. An event of default by a Series 2021 Participant under a loan agreement entered into with DASNY in connection with the issuance of another Series of Bonds will result in an "Event of Default" under such Series 2021 Participant's Series 2021 Loan Agreement. See "Appendix E - Summary of Certain Provisions of the Series 2021 Loan Agreements."

Prior Pledges of Pledged Revenues

The Series 2021 Bonds are secured by the pledge and assignment to the Trustee of DASNY's security interest in the Pledged Revenues granted by each of the Series 2021 Participants to DASNY pursuant to its Series 2021 Loan Agreement, subject to Prior Pledges. Certain of the Series 2021 Participants have previously pledged their Public Funds (a portion of which consists of the Pledged Revenues) to DASNY or an industrial development agency to secure other obligations. Certain of the Series 2021 Participants have pledged their accounts receivable, including Public Funds, to banks or other financial institutions as security for their obligations in connection with lines of credit. Additionally, certain Series 2021 Participants may, with the prior written consent of DASNY (such consent not to be unreasonably withheld or delayed), hereafter secure a line of credit with a Prior Pledge. The pledge of the Pledged Revenues securing such Series 2021 Participant's Allocable Portion of the Series 2021 Bonds is subject, and subordinate, to such Prior Pledges in all respects. See "Appendix A - Description of Series 2021 Participants" for a description of each of the Series 2021 Participants, including a description of outstanding indebtedness and credit facilities secured by security interests which include Prior Pledges of their respective Pledged Revenues.

Grant of Additional Security Interests

Subject to the limitations set forth in its Series 2021 Loan Agreement, a Series 2021 Participant may grant security interests in its Accounts Receivable, and the proceeds thereof, in favor of banks or other financial institutions in order to secure a line of credit for working capital purposes, whether by entering into a new credit facility or amending, modifying or extending an existing credit facility. The incurrence of such indebtedness and the granting of such security interests could materially adversely affect the financial position of a Series 2021 Participant and its ability to satisfy its Loan Repayment obligations. See "Appendix E - Summary of Certain Provisions of the Series 2021 Loan Agreements."

A Series 2021 Participant may also grant a subordinate mortgage as security for bonds issued by DASNY after the date of issuance of the Series 2021 Bonds, in an amount up to the amount approved by OPWDD pursuant to the PPA process, for the purpose of financing the cost of renovating, constructing, equipping or completing a Series 2021 Facility, and any loan agreement, or amendment to the applicable Series 2021 Loan Agreement, between DASNY and such Series 2021 Participant, in each case in connection with such financing.

Effect of Changes in Tax-Exempt Status; Continued Legal Requirements of Tax-Exempt Status

As an entity qualified under Section 501(c)(3) of the Code, each Series 2021 Participant is subject to various requirements affecting its operation. The failure of a Series 2021 Participant to maintain its tax-exempt status may affect the Series 2021 Participant's ability to receive funds from State and federal sources, which could adversely affect its ability to pay its principal Loan Repayments under its Series 2021 Loan Agreement. Further, a loss of a Series 2021 Participant's status as a Section 501(c)(3) organization, failure of a Series 2021 Participant to comply with certain legal requirements of the Code, or adoption of amendments to the Code applicable to such Series 2021 Participant that restrict the use of tax-exempt bonds for facilities, such as one or more of its Series 2021 Facilities, could cause interest on the Subseries 2021A-1 Bonds to be included in the gross income of the Bondholders or former Bondholders for federal income tax purposes, and such inclusion could be retroactive to the date of issuance of the Subseries 2021A-1 Bonds. The opinions of Co-Bond Counsel and the description of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the Subseries 2021A-1 Bonds are issued. No assurance can be given that such laws or the interpretation thereof will not change or that new provisions of law will not be enacted or promulgated at any time while the Subseries 2021A-1 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Subseries 2021A-1 Bonds. See "PART 10 - TAX MATTERS." The Subseries 2021A-1 Bonds are not subject to redemption, nor will the interest rate on the Subseries 2021A-1 Bonds be changed, if interest on the Subseries 2021A-1 Bonds is included in the gross income of the Bondholders or former Bondholders.

Risk of Audit by Internal Revenue Service

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Subseries 2021A-1 Bonds.

Risk of Review by State and Federal Agencies

Various State and federal agencies, including without limitation, OPWDD, the Office of Medicaid Inspector General, the Office of State Controller, the Department of Health, the State Attorney General, the United States Attorney's Office, the United States Office of Inspector General, and the State Commission on Quality of Care, have ongoing programs of reviewing the services provided by, and the claims for payment submitted by, service provider agencies, such as the Series 2021 Participants, to determine compliance with State and/or federal laws and regulations. Such reviews, if adversely determined, may affect the ability of the service provider agency to provide its services and receive payments therefor. No assurances can be given as to whether or not any State or federal agency will commence a review of any Series 2021 Participant and the effect of any such review on such Series 2021 Participant's ability to make its payments under its Series 2021 Loan Agreement.

Specific Risks Related to DDI's Series 2021 Facilities Located in Smithtown, New York

DDI will not grant a mortgage to DASNY on its Series 2021 Facilities located at 99 Hollywood Drive, Smithtown, New York in order to secure DDI's Allocable Portion of the Series 2021 Bonds. Such Series 2021 Facilities are already pledged to other lenders securing DDI's debt to such lenders in an aggregate original principal amount of $25,256,000. See "Appendix A— Description of Series 2021 Participants" for further details.

Specific Risks Related to Series 2021 Leased Facilities

In order to secure its obligations under its respective Series 2021 Loan Agreement, each of HASC, HeartShare and YAI will collaterally assign to DASNY pursuant to a Collateral Assignment of Leases its right, title and interest (but not its obligations) in the respective lease or leases for its Series 2021 Leased Facility or Series 2021 Leased Facilities (each, a "Lease"). Each landlord under each Lease has consented to such collateral assignment. Upon and during an uncured Event of Default under such Series 2021 Participant's Series 2019 Loan Agreement, DASNY may further assign the applicable Lease to a financially sound State-approved not-for-profit corporation selected by DASNY (each a "Replacement Tenant") for purposes of operating a State-approved program within such Series 2021 Facility similar to the program currently operated therein by such Series 2021 Participant. The applicable Replacement Tenant would assume such Series 2021 Participant's liabilities and obligations under the applicable Lease on terms acceptable to the applicable landlord. Notwithstanding its Collateral Assignment of Leases, each such Series 2021 Participant shall remain liable under its respective Lease or Leases to perform all of its obligations thereunder. Certain practical and legal considerations, however, including, but not limited to, bankruptcy risks, could inhibit or materially delay the ability to locate a Replacement Tenant for any of such Series 2021 Leased Facilities, or otherwise preclude the receipt of sufficient revenues to repay such Series 2021 Participant's Allocable Portion of the Series 2021 Bonds.

Right of Reacquisition of YAI's Series 2021 Facility Located in Wheatley Heights, New York

YAI acquired title to the Series 2021 Facility located at 188 Landscape Drive, Wheatley Heights, New York (the "Landscape Drive Facility") by deed dated September 30, 2019 subject to the terms of a Disposition Agreement dated April 18, 2019 by and among the People of the State of New York, acting by and through the OPWDD DASNY, and YAI (the "Disposition Agreement"). The Disposition Agreement contained a right of reacquisition by the People of the State of New York, acting by and through OPWDD and/or DASNY, in the event that YAI, its successors and assigns fail to utilize the Landscape Drive Facility as authorized not-for-profit community mental hygiene services facility for persons with mental retardation and developmental disabilities or, in the event that there is no longer a need for community mental hygiene services, another legally authorized not-for-profit mental hygiene program purpose to which OPWDD has consented in writing . YAI has requested and received from the People of the State of New York, acting by and through the OPWDD and/or DASNY, a subordination agreement in order to subordinate the right of reacquisition to the lien granted by YAI's Mortgage on the Landscape Drive Facility. There is no guarantee that YAI's title to the Landscape Drive Facility will not continue to be subject to the right of reacquisition.

Potential Impact of Coronavirus

The outbreak of the infectious disease COVID-19 (Coronavirus), a respiratory disease caused by a new strain of coronavirus has been declared a pandemic by the World Health Organization. The outbreak of COVID-19 has affected travel, commerce, and financial markets globally, in the United

States and in New York State. There can be no assurances that COVID-19 will not continue to materially adversely impact state and national economies, including the State's economy and the services it currently funds, and the financial and business operations of the Series 2021 Participants. The full impact that COVID-19 may have on the finances and operations of the Series 2021 Participants and/or the State cannot be predicted at this time. The continued spread of the outbreak could have a material adverse effect on the State, the Series 2021 Participants and their respective financial and operational performance.

Cautionary Statements Regarding Forward-Looking Statements in this Official Statement

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "budget," "intend," "projection" or other similar words. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those presently anticipated or projected. Readers are cautioned not to place undue reliance on any such forward-looking statements. SUCH RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN POLITICAL, SOCIAL AND ECONOMIC CONDITIONS, REGULATORY INITIATIVES AND COMPLIANCE WITH GOVERNMENTAL REGULATIONS, LITIGATION AND VARIOUS OTHER EVENTS, CONDITIONS AND CIRCUMSTANCES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE SERIES 2021 PARTICIPANTS. PURCHASERS SHOULD NOT EXPECT TO RECEIVE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS IF OR WHEN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

PART 12 - STATE NOT LIABLE ON THE SERIES 2021 BONDS

The Act provides that notes and bonds of DASNY are not a debt of the State, that the State is not liable on them and that such notes or bonds are not payable out of any funds other than those of DASNY. The Resolution specifically provides that the Series 2021 Bonds are not a debt of the State and that the State is not liable on them.

PART 13 - COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of DASNY's notes and bonds that the State will not limit or alter the rights vested in DASNY to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of DASNY's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State's pledges and agreements contained in the Act, the State may in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with DASNY and with the holders of DASNY's notes or bonds.

PART 14 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2021 Bonds by DASNY are subject to the approval of Barclay Damon LLP, Albany, New York, and Lewis & Munday, A Professional Corporation, New York, New York, Co-Bond Counsel to DASNY, whose approving opinions will be delivered with the Series 2021 Bonds. The proposed form of Co-Bond Counsel's opinions is set forth in Appendix H hereto.

Certain legal matters will be passed upon for the Series 2021 Participants by Cullen and Dykman LLP, Albany, New York and for the Underwriter by McCarter & English, LLP, New York, New York and Newark, New Jersey.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2021 Bonds or questioning or affecting the validity of the Series 2021 Bonds or the proceedings and authority under which they are to be issued.

See "Appendix A - Description of Series 2021 Participants" for a description of any litigation which may have a material adverse effect on the Series 2021 Participants.

PART 15 - CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), each Series 2021 Participant will enter into a written agreement (collectively, the "Continuing Disclosure Agreements") for the benefit of the Holders of the Series 2021 Bonds with Digital Assurance Certification L.L.C. ("DAC"), as disclosure dissemination agent, and the Trustee. The proposed form of the Continuing Disclosure Agreement is attached as Appendix G hereto.

For information about the Series 2021 Participants' compliance with their continuing disclosure undertakings made pursuant to Rule 15c2-12, see "Appendix A - Description of Series 2021 Participants."

PART 16 - UNDERWRITING

The Series 2021 Bonds are being purchased by Municipal Capital Markets Group, Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2021 Bonds from DASNY at a purchase price of $29,167,975.50 and to make a public offering of the Series 2021 Bonds at prices not in excess public offering prices set forth on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all Series 2021 Bonds if any Series 2021 Bonds are purchased. The Series 2021 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2021 Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Series 2021 Participants have agreed to indemnify the Underwriter and DASNY with respect to certain liabilities, including certain liabilities under the federal securities laws.

PART 17 - RATING

The Series 2021 Bonds have been rated "Aa3" by Moody's. The rating on the Series 2021 Bonds is based upon the obligation of the Series 2021 Participants under the Series 2021 Loan Agreements to make certain payments from the Revenues, and on the security interest in the Pledged Revenues granted by such Series 2021 Participants to DASNY under the Series 2021 Loan Agreements. An explanation of the significance of the rating should be obtained from Moody's. There is no assurance that such rating will prevail for any given period of time or that it will not be changed or withdrawn by Moody's if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2021 Bonds.

PART 18 - INDEPENDENT PUBLIC ACCOUNTANTS

Citizens and DDI have provided their financial statements as of and for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 and the other Series 2021 Participants have provided their respective financial statements as of and for the years ended June 30, 2020, June 30, 2019 and June 30, 2018. The financial statements included in Appendix B to this Official Statement have been audited by independent certified public accounting firms as stated in their respective reports appearing therein. Notwithstanding the receipt of any consents to append the financial statements to this Official Statement, none of the auditors performed any procedures relating to any of the information contained in this Official Statement.

PART 19 - MISCELLANEOUS

References in this Official Statement to the Act, the Resolutions, the Series 2021 Loan Agreements, the Mortgages and the Collateral Assignment of Leases do not purport to be complete. Refer to the Act, the Resolutions, the Series 2021 Loan Agreements, the Mortgages and the Collateral Assignment of Leases for full and complete details of their provisions. Copies of the Resolutions, the Series 2021 Loan Agreements, the Mortgages and the Collateral Assignment of Leases are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2021 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2021 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2021 Bonds.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such, and not as representations of facts. No representation is made that any of the opinions or estimates will be realized.

The information regarding the Series 2021 Participants and their respective Series 2021 Facilities contained in this Official Statement has, in each case, been furnished by the Series 2021 Participants. DASNY believes that this information is reliable, but DASNY makes no representations or warranties as to the accuracy or completeness of such information.

The information regarding the Program Facilitator and OPWDD in this Official Statement has, in each case, been furnished by the Program Facilitator. DASNY believes that this information is reliable, but DASNY makes no representations or warranties as to the accuracy or completeness of such information.

The information regarding DTC and DTC's book-entry-only system has been furnished by DTC. DASNY believes that this information is reliable, but makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

"Appendix A - Description of Series 2021 Participants," "Appendix B - Audited Financial Statements of Series 2021 Participants" and "Appendix C - Unaudited Financial Information of Series 2021 Participants" were supplied by the Series 2021 Participants.

"Appendix D - Certain Definitions," "Appendix E - Summary of Certain Provisions of the Series 2021 Loan Agreements," "Appendix F - Summary of Certain Provisions of the Resolutions," and "Appendix H - Form of Approving Opinions of Co-Bond Counsel" have been prepared by Barclay Damon LLP, Albany, New York, and Lewis & Munday, A Professional Corporation, New York, New York, Co-Bond Counsel to DASNY.

"Appendix G – Form of Continuing Disclosure Agreement" has been prepared by McCarter & English, LLP, New York, New York and Newark, New Jersey, counsel to the Underwriter.

Each Series 2021 Participant has reviewed the parts of this Official Statement describing such Series 2021 Participant, its Series 2021 Facilities, its Mortgages, if any, its Collateral Assignment of Leases, if any, including, without limitation, "PART 1 – INTRODUCTION" (but solely with respect to the headings "The Series 2021 Participants," "Additional Security – Pledged Revenues and Standby Intercepts," "The Mortgages," and "Collateral Assignment of Leases," "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2021 BONDS – Security for the Series 2021 Bonds - Pledged Revenues – Intercept Funds," "– Security for the Series 2021 Bonds – Mortgages" and "– Collateral Assignment of Leases," "PART 3 – THE SERIES 2021 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2021 Bonds," "PART 4 - THE SERIES 2021 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE," "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS," "PART 11 - BONDHOLDERS' RISKS," "PART 15 – CONTINUING DISCLOSURE," and "PART 18 – INDEPENDENT PUBLIC ACCOUNTANTS," and the information relating to it contained in Appendices A, B, and C. It is a condition to the sale and delivery of the Series 2021 Bonds that each Series 2021 Participant certify as of the dates of sale and delivery of the Series 2021 Bonds that such parts and such information do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in light of the circumstances under which the statements are made, not misleading.

Each Series 2021 Participant has agreed to indemnify DASNY and certain others against losses, claims, damages and liabilities arising out of any untrue statements or omissions of statements of any material fact as described in the preceding paragraph with respect to such Series 2021 Participant.

The Program Facilitator has reviewed the parts of this Official Statement describing itself and the information contained in "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE," and "PART 11 - BONDHOLDERS' RISKS." It is a condition to the sale and delivery of the Series 2021 Bonds that the Program Facilitator certify as of the dates of sale and delivery of the Series 2021 Bonds that such parts and such information do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which the statements were made, not misleading.

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The execution and delivery of this Official Statement by an Authorized Officer have been duly authorized by DASNY.

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: *   /s/ Reuben R. McDaniel, III*
Authorized Officer

APPENDIX A

DESCRIPTION OF SERIES 2021 PARTICIPANTS

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CITIZENS OPTIONS UNLIMITED, INC.,
COMMUNITY SERVICES SUPPORT CORPORATION
AND NASSAU COUNTY AHRC FOUNDATION, INC.

General Operations. Citizens Options Unlimited, Inc. ("Citizens") supports people to live the life they choose through family and community engagement. Recognized as a leading agency in the field, Citizens provides quality supports and services to people with intellectual and developmental disabilities in the areas of Medicaid service coordination, residential opportunities (ICFs and IRAs), family support services (Camp Loyaltown, family reimbursement and recreation programs), crisis respite services and self-directed services to include housing subsidies. Citizens also works hand in hand with The Advantage Care Diagnostic and Treatment Center, an affiliate of Nassau County AHRC Foundation, Inc. (the "Foundation"), to provide coordinated medical, psychiatric and dental care. In May of 2011, OPWDD recognized Citizens as a COMPASS agency; one of only four agencies in New York State to achieve this title. COMPASS is an OPWDD initiative that recognizes and promotes provider agencies that have progressed beyond minimal regulatory compliance and have achieved excellence in service delivery. In September of 2012, Citizens began the process of Council on Quality and Leadership (CQL) accreditation and began working toward person centered excellence. In February of 2014, Citizens became accredited in "Person Centered Excellence" by CQL and in February of 2018 received a higher accreditation "Person Centered Excellence with Distinction" during this year's re-accreditation visit. This re-accreditation along with its COMPASS status makes Citizens one of the premier agencies in the field. Citizens is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

Community Services Support Corporation ("CSSC") was organized and formed for the primary purpose of holding title to properties and maintaining and leasing those properties for various programs such as residential facilities for persons with developmental disabilities. CSSC holds title to and maintains properties for programs operated by certain associated and/or related entities, including Citizens. CSSC is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

The Foundation was formed to publicly solicit and receive funds for the benefit of providing programs supporting adults and children with intellectual and developmental disabilities. The Foundation also provides education, public communication and advocacy for program development. The Foundation's primary support is derived from contributions and special events. The Foundation is the sole member of Citizens and CSSC. The Foundation is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

Citizens, CSSC and the Foundation will together receive the loan proceeds as co-obligors of the Series 2021 Bonds. The financial statements of Citizens are prepared on a consolidating basis among Citizens and its affiliate. The financial statements of CSSC are prepared solely for that entity. The financial statements of the Foundation are prepared on a consolidating basis among the Foundation and its affiliates, including but not limited to Citizens and CSSC. Unless otherwise indicated, the financial information contained in this Appendix presents the combined, aggregate financial results for Citizens, CSSC and the Foundation, and not other related affiliates, as only those three entities comprise the Series 2021 Participant described herein. The affiliate of Citizens and the affiliates of the Foundation, other than Citizens and CSSC, will not have any obligation to make payments under the Loan Agreement.

Citizen’s funding sources for the year ended December 31, 2019 (“Year 2019”) were: OPWDD (approximately 90%) and miscellaneous other sources (approximately 10%). CSSC’s funding sources for Year 2019 were: rental income from tenants (approximately 99%) and miscellaneous other sources (approximately 1%). The Foundation’s funding sources for Year 2019 were: revenues from special events (approximately 12%) and miscellaneous other sources (approximately 88%).

Description of Facilities and Financing Plan. DASNY will lend Citizens, CSSC and the Foundation $3,415,000 from the proceeds of the Series 2021 Bonds (“Citizens, CSSC and the Foundation’s Allocable Portion”). Such amount will be used to finance or refinance debt incurred in connection with the Facilities and Projects described below, as well as for related legal fees, costs of issuance and debt service reserve requirements.

- The “2 Oak Tree Drive Facility” is a 2,185 square-foot, 1-story building located at 2 Oak Tree Drive, Smithtown, New York. Approximately $1,073,189 will be used to finance the “2 Oak Tree Drive Project,” which consists of the acquisition and rehabilitation of the 2 Oak Tree Drive Facility for use as a residence for six adults with developmental disabilities.

- The “38 Kirkland Drive Facility” is a 2,922 square-foot, 2-story building located at 38 Kirkland Drive, Greenlawn, New York. Approximately $1,156,033 will be used to finance the “38 Kirkland Drive Project,” which consists of the acquisition and rehabilitation of the 38 Kirkland Drive Facility for use as a residence for six adults with developmental disabilities.

- The “588 Bellmore Street Facility” (together with the 2 Oak Tree Drive Facility and the 38 Kirkland Drive Facility, the “Facilities”) is a 2,477 square-foot, 2-story building located at 588 Bellmore Street, West Islip, New York. Approximately $1,020,300 will be used to finance the “588 Bellmore Street Project” (together with the 2 Oak Tree Drive Project and the 38 Kirkland Drive Project, the “Projects”) which consists of the acquisition and rehabilitation of the 588 Bellmore Street Facility for use as a residence for six adults with developmental disabilities.

The remainder of Citizens, CSSC and Foundation’s Allocable Portion in the amount of approximately $165,478 will be used for legal fees, costs of issuance and debt service reserve requirements.

The governmental funding source for the Facilities is OPWDD and the Facilities are supported by PPAs, which Citizens has received. This means the Facilities are pre-approved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the acquisition and/or renovation and furnishing of the Facilities and financing or refinancing costs incurred in connection therewith.

The Facilities are all New PPA Lien Projects. See the information in this Official Statement entitled “PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process” for further information concerning New PPA Lien Projects.

Certificates of Occupancy or temporary Certificates of Occupancy have been received from the applicable local jurisdictions for all of the Facilities. Citizens has received Operating Certificates from OPWDD for the 2 Oak Tree Drive Facility and the 38 Kirkland Drive Facility. Citizens has not received Operating Certificates from OPWDD for the 588 Bellmore Street Facility. See the information in this

Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

Citizens owns the Facilities. Citizens will grant DASNY a mortgage on the real property with respect to each of the Facilities, a security interest in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the Facilities, and a lien on the Public Funds attributable to each of the Facilities.

Other Properties. Citizens leases 19 other residential, intermediate care and day habilitation programs facilities in Nassau and Suffolk Counties from CSSC and a Citizens affiliate. CSSC owns 119 other properties in Nassau and Suffolk Counties. The Foundation does not own or lease any properties.

Employees. Citizens, CSSC and the Foundation collectively employ approximately 494 full-time and 285 part-time employees in Nassau and Suffolk Counties.

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Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement among DASNY, Citizens, CSSC and the Foundation, the Actual Debt Service Coverage Ratio of Citizens, CSSC and the Foundation for Year 2019 and the Pro Forma Debt Service Coverage Ratio (which includes Citizens, CSSC and the Foundation's Allocable Portion of the Series 2021 Bonds) are as follows:

	2019 Actual	**2019 Pro Forma**
Revenues	$53,110,849	$53,110,849
Expenses	62,618,411	62,618,411
Net Income (after adj.)	(9,507,562)	(9,507,562)
Less Extraordinary Revenue Items	(95,298)	(95,298)
Plus Extraordinary Expense Items*	10,074,193	10,074,193
Plus Depreciation and Amortization	4,208,837	4,208,837
Plus Current Interest Expense	1,358,939	1,358,939
New PPA Revenues (unaudited)	0	205,062
Cash Flow for Debt Service	6,039,109	6,244,171
Maximum Annual Debt Service (unaudited)	4,944,746	5,149,808
Debt Service Coverage Ratio (DSCR)	1.221	1.213

*Note: Extraordinary expense items for accounting change related to FASB issued ASU 2016-02 "Accounting for Leases" adopted in the fiscal year ended December 31, 2019.

Financials. Audited financial statements for each of Citizens (and its affiliate), CSSC and the Foundation (and its affiliates), separately, for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 were prepared by BDO USA, LLP and are attached as Appendix B-I. Interim unaudited financial information for Citizens, CSSC and the Foundation prepared by their Management, respectively, covering the period from January 1, 2020 through February 28, 2021 is attached as Appendix C-I. Significant accounting policies are contained in the notes to the audited financial statements, as well as in Consolidating Statements for Citizens and its affiliate and for the Foundation and its affiliates.

Management's Summary of Financial Information and Results of Operations.

Summary of Financial information for Prior Five Fiscal Years — All Funds.

The following is a combined summary of financial information for Citizens (excluding its affiliate), CSSC, and the Foundation (excluding its affiliates), for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Citizen's, CSSC's and the Foundation's Management, respectively, and derived from each of Citizen's, CSSC's and the Foundation's respective audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-I; audited financial statements for the fiscal years ended December 31, 2016 and December 31, 2015 are available upon request. Note that the operations of Citizens' affiliate and the Foundation's affiliates, other than Citizens and CSSC as aforementioned, have been excluded from the presentation below, which may present differences from the reported figures in the audited financial statements.

	Fiscal Year Ended December 31,				
	2015	**2016**	**2017**	**2018**	**2019**
Current Assets	$42,291,115	$40,904,141	$42,125,943	$42,925,629	$56,717,679
Net Fixed Assets	38,633,069	38,505,195	39,591,865	38,901,229	10,742,707
Other	9,891,070	6,790,694	6,122,800	8,108,078	29,627,800
Total	90,815,254	86,200,030	87,840,608	89,934,936	97,088,186
Current Liabilities	9,295,700	10,736,774	12,905,688	10,594,837	17,133,901
Other Liabilities	33,270,586	23,927,192	19,768,663	24,111,411	28,741,404
Net Assets	48,248,968	51,536,064	55,166,257	55,228,688	51,212,881
Total	90,815,254	86,200,030	87,840,608	89,934,936	97,088,186
Operating Revenue:					
Program Revenue	31,910,525	36,597,171	43,078,227	44,825,106	50,594,100
Nonprogram Revenue	2,295,937	1,920,159	1,531,164	1,607,939	2,369,716
Total	34,206,462	38,517,330	44,609,391	46,433,045	52,963,816
Operating Expenses	32,159,938	37,292,916	44,691,351	45,572,498	52,525,504
Change in Net Assets	2,046,524	1,224,414	(81,960)	860,547	438,312
Non-Operating Changes	(897,096)	2,062,682	3,712,153	(798,116)	(4,454,119)
Net Assets, Beginning of Year	47,099,540	48,248,968	51,536,064	55,166,257	55,228,688
Net Assets, End of Year	48,248,968	51,536,064	55,166,257	55,228,688	51,212,881
Cash & Equivalents	12,967,294	12,211,948	8,598,945	10,953,747	15,383,233

Management Discussion of Results of Operations.

(1) Known Trends or Uncertainties Likely to Have an Impact on Liquidity: Citizens, CSSC and the Foundation are not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on Citizens', CSSC's or the Foundation's short-term or long-term liquidity.

(2) Sources of Liquidity: (a) Internal - Citizens, CSSC and the Foundation had current assets of $56,717,679 and $42,925,629 at the end of fiscal years 2019 and 2018, respectively, (b) External – Citizens has available a $2 million line of credit with HSBC Bank for working capital. CSSC has available a $5 million line of credit with HSBC for acquisition of property and/or renovation of residences.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: Calendar year 2020 presented unprecedented operational and financial challenges for Citizens, CSSC and Foundation. The impact of the COVID-19 pandemic and related day program closures, staffing shortages, extended program participant vacancies and tremendous unbudgeted expenses had a severely negative impact on operating results, resulting in substantial financial losses. Consequently, financial results during this time for Citizens, CSSC and Foundation were under budget and not representative of historical results of operations. While uncertainty remains, Citizens, CSSC and Foundation anticipate a trend toward more normalized operating results beginning in the third calendar quarter of 2021 as the overall United States economy improves and the federal government's vaccination program continues.

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2019 and 2018 were $2,297,583 and $1,588,996, respectively. See Appendix C-I for interim unaudited financial information through February 28, 2021.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenues of the program. The number of persons served by Citizen's, CSSC's and the Foundation's total operations have not materially increased or decreased in recent years.

Liquidity and Capital Resources. As of December 31, 2019 and December 31, 2018, Citizens, CSSC and the Foundation had $15,383,233 and $10,953,747 in combined unrestricted cash and cash equivalents and $8,935,514 and $5,919,364 in combined net accounts receivable, respectively.

As of February 28, 2021, Citizens had available a secured line of credit of $2 million with HSBC. The proceeds of the line of credit are to be used for working capital. The line of credit is secured by a lien on all of Citizens' assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. CSSC additionally guarantees the line of credit. There was no outstanding balance as of February 28, 2021.

As of February 28, 2021, CSSC had available a line of credit of $5 million with HSBC. The proceeds of the line of credit are to be used for acquisition of property and/or renovation of residences. The line of credit is secured by a lien on all of CSSC's assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Citizens and the Foundation additionally guarantee the line of credit. The outstanding balance as of February 28, 2021 was $4,610,809.

Long-Term Debt. As of December 31, 2019 and December 31, 2018, Citizens, CSSC and the Foundation had $17,137,606 and $21,136,356, respectively, in outstanding long-term indebtedness including mortgages, bonds and loans, some of which debt is secured by a security interest in Citizens', CSSC's and the Foundation's Public Funds. Citizens has not incurred any long-term debt subsequent to December 31, 2019. See Notes 10 and 11 of CSSC's Audited Financial Statement for fiscal year ending December 31, 2019 under the titles of "Mortgages Payable" and "Bonds Payable." Citizens has applied for and expects to receive in May 2021 a loan in the amount of $8.1 million from the U.S. Small Business Administration pursuant to its Paycheck Protection Program (PPP); Citizens anticipates using the PPP loan proceeds for the approved purposes and timely submitting appropriate documentation to qualify for full principal forgiveness of the PPP loan. CSSC has not incurred any long-term debt subsequent to December 31, 2019. See Notes 16 and 17 of the Foundation's Audited Financial Statement for fiscal year ending December 31, 2019 under the titles of "Mortgages Payable" and "Bonds Payable." The Foundation has not not incurred any long-term debt subsequent to December 31, 2019.

Prior Pledges. Citizens' line of credit for $2 million with HSBC is secured by a lien on all of Citizens' assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. CSSC's line of credit for $5 million with HSBC is secured by a lien on all of CSSC's assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of Citizens', CSSC's and the Foundation's total, aggregate outstanding long-term debt as of December 31, 2019 and December 31, 2018, $17,137,606 and $21,136,356 is secured by a security interest in certain receivables of and real properties owned by Citizens, CSSC and the Foundation, which may include Citizens', CSSC's and the Foundation's Public Funds, and thus constitutes a Prior Pledge as to such funds. Citizen's, CSSC's and the Foundation's total Prior Pledges (including short term and long term debt) as of February 28, 2021 amount to $21,129,777.

Contingencies; Pending or Potential Litigation. According to Citizens', CSSC's and the Foundation's Management, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened to challenge the authority or ability of Citizens, CSSC or the Foundation to continue to operate their facilities or to challenge title to their properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might, in the opinion of Citizens', CSSC's and the Foundation's Management, materially adversely affect the ability of Citizens, CSSC and the Foundation to carry out the transactions contemplated in the Loan Agreement, the Mortgages and the Intercept Agreement.

Management.

Directors and Officers - Citizens: The business affairs of Citizens are governed by a Board of Directors of not more than nineteen. The officers are comprised of: Hallie Klein, President, Patrick Broderick, Vice President, George Bauer III, Treasurer, and Rady Bruell, Secretary. Other members of the Board are: Joseph Bosnack Jr., Josephine Connelly, Michael Famiglietti, Kathleen Maggi, Robert Molloy, Ellen Moore, Edward Perlow and Devon Rivera. The Board meets at least annually, and a presence of a majority of the members of the Board constitutes a quorum. The members of the Board serve without compensation.

Directors and Officers - CSSC: The business affairs of CSSC are governed by a Board of Directors of not less than three. The officers and members of the Board are comprised of: Thomas Moore, President, Victor LaPoma, Vice President, and Lloyd Groveman, Treasurer. Thomas McCauley and Robert Molloy also serve on the Board as Directors. The Board meets at least annually, and a presence of a majority of the members of the Board constitutes a quorum. The members of the Board serve without compensation.

Directors and Officers - Foundation: The affairs of the Foundation are governed by a Board of Directors of not more than nineteen. The officers are comprised of: Thomas Rosicki, President, Robert Pascucci, Treasurer, and John Chase, Secretary. Other members of the Board are: Martin Boorstein, Ex-Officio, Rady Bruell, Jack Garofalo, Robert Griffith, Lloyd Groveman, Katheen Maggi, Thomas Moore, Ex-Officio, David Nagler, Jack Posner, Michael Ross, Daniel Serota, Harrietta Traversa and Edward Yardeni. The Board meets at least annually, and a presence of a majority of the members of the Board constitutes a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers – Citizens, CSSC and Foundation: Stanfort Perry is the Executive Director of Citizens, CSSC and the Foundation. Mr. Perry has served in leadership positions with agencies serving persons with intellectual and developmental disabilities for over thirty years. Previously, Mr. Perry served as the Executive Director of the Onondaga Chapter of NYSARC, Inc. He holds both a Master of Science in Human Service Management from Buffalo State College and a Bachelor of Science in Psychology from the State University of New York at Stony Brook. Citizens has several other key employees including Willard T. Derr, Chief Financial Officer, Barry Donowitz, Associate Executive Director and Christopher O'Connor, Associate Executive Director.

Continuing Disclosure.

As described in this paragraph, during the past five years, Citizens failed to provide certain secondary market disclosure pursuant to Rule 15c2-12 in connection with their previous continuing disclosure undertakings. Such failures include incorrect filing of Annual Information in place of Citizen's audited financial statements for its fiscal year ended December 31, 2018. Citizens has adopted procedures to ensure the timely filing of required information pursuant to their respective continuing disclosure undertakings in the future.

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DEVELOPMENTAL DISABILITIES INSTITUTE, INC.

General Operations. Developmental Disabilities Institute, Inc. ("DDI") was founded in 1961 to address the special needs of children with autism and other developmental disabilities and provide therapeutic intervention. Today, DDI is a nonprofit, multisite agency serving over 1,500 children and adults with autism and related disorders, providing educational, residential, day habilitation and vocational services, as well as medical and dental services to over 5,000 patients across Long Island, New York. DDI has grown to include 5 main campuses located in Smithtown, Huntington, Medford, Riverhead and Ronkonkoma, New York, as well as 36 residential and day habilitation sites. Through almost 50 years of sustained effort, DDI has become the largest provider of services and programs for children and adults with autism on Long Island. The goal of DDI is to recognize the needs of each individual, while maintaining the highest standards of teaching and training for its children, their families and its staff. DDI prides itself on being in the forefront of the most effective methods in use today for the treatment of autism and related disorders. DDI is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

The financial statements of DDI for years prior to the fiscal year ending December 31, 2019 were prepared on a consolidated basis among DDI and its affiliate. However, the financial information contained in this Appendix is limited to the operations of DDI, as the affiliate of DDI will not have any obligation to make payments under the Loan Agreement. The Series 2021 Participant is only DDI.

DDI's funding sources for its 2019 Fiscal Year were: OPWDD (approximately 62%), DOH (approximately 5%), State Department of Education (approximately 32%) and miscellaneous other sources (approximately 1%).

Description of Facilities and Financing Plan. DASNY will lend DDI $3,535,000 from the proceeds of the Series 2021 Bonds ("DDI's Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facilities and Projects described below, as well as for related legal fees, costs of issuance and debt service reserve requirements.

- The "110 South Evergreen Drive Facility" is a 2,197 square-foot, 1-story building located at 110 South Evergreen Drive, Selden, New York. Approximately $1,145,949 will be used to finance the "110 South Evergreen Drive Project," which consists of the acquisition and rehabilitation of the 110 South Evergreen Drive Facility for use as a residence for six adults with developmental disabilities.

- The "27 Leslie Lane Facility" is a 1,994 square-foot, 2-story building located at 27 Leslie Lane, Smithtown, New York. Approximately $1,168,501 will be used to finance the "27 Leslie Lane Project," which consists of the acquisition and rehabilitation of the 27 Leslie Lane Facility for use as a residence for six adults with developmental disabilities.

- The "99 Hollywood Drive (10 Person) Facility" is a portion of a 67,521 square-foot, 2-story building located at 99 Hollywood Drive, Smithtown, New York. Approximately $380,427 will be used to finance the "99 Hollywood Drive (10 Person) Project," which consists of the acquisition and rehabilitation of the 99 Hollywood Drive (10 Person) Facility for use as an intermediate care facility for ten adults with developmental disabilities.

- The "99 Hollywood Drive (31 Person) Facility" (together with the 110 South Evergreen Drive Facility, the 27 Leslie Lane Facility and the 99 Hollywood Drive (10 Person) Facility, the "Facilities") is a portion of a 67,521 square-foot, 2-story building located at 99 Hollywood Drive, Smithtown, New York. Approximately $618,438 will be used to finance the “99 Hollywood Drive (31 Person) Project” (together with the 110 South Evergreen Drive Project, the 27 Leslie Lane Project and the 99 Hollywood Drive (10 Person) Project, the “Projects”), which consists of the acquisition and rehabilitation of the 99 Hollywood Drive (10 Person) Facility for use as an intermediate care facility for thirty-one adults with developmental disabilities.

The remainder of DDI’s Allocable Portion in the amount of approximately $221,685 will be used for legal fees, costs of issuance and debt service reserve requirements.

The governmental funding source for the Facilities is OPWDD and the Facilities are supported by PPAs, which DDI has received. This means the Facilities are pre-approved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the acquisition and/or renovation and furnishing of the Facilities and financing or refinancing costs incurred in connection therewith.

The Facilities are all New PPA Lien Projects. See the information in this Official Statement entitled “PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process” for further information concerning New PPA Lien Projects.

Certificates of Occupancy or temporary Certificates of Occupancy have been received from the applicable local jurisdictions for all of the Facilities, and DDI has received Operating Certificates from OPWDD for all of the Facilities See the information in this Official Statement entitled “PART 11 - BONDHOLDERS’ RISKS - Completion of the Projects; Zoning; Certificate of Occupancy.”

DDI owns the Facilities. DDI will grant DASNY a mortgage on the real property with respect to each of the 110 South Evergreen Drive Facility and the 27 Leslie Lane Facility (collectively, the “Mortgaged Facilities”), a security interest in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the Mortgaged Facilities, and a lien on the Public Funds attributable to each of the Mortgaged Facilities. DDI will not grant a mortgage to DASNY on its facilities located at 99 Hollywood Drive, Smithtown, which facilities are already pledged to other lenders securing DDI’s debt to such lenders in an aggregate original principal amount of $25,256,000.

Other Properties. DDI also owns 40 other properties and leases 10 other residential and day program properties throughout Long Island.

Employees. DDI employs 1,093 full-time and 340 part-time employees, plus an additional 430 per diem employees, in Nassau County and Suffolk County, New York. DDI does not expect that the operation of the Facilities will require it to employ additional personnel.

Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and DDI, the Actual Debt Service Coverage Ratio of DDI for Fiscal Year 2019 and the Pro Forma Debt Service Coverage Ratio (which includes DDI's Allocable Portion of the Series 2021 Bonds) are as follows:

	2019 Actual	**2019 Pro Forma**
Revenues	$110,041,843	$110,041,843
Expenses	108,826,544	108,826,544
Net Income (after adj.)	1,215,299	1,215,299
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	3,232,848	3,232,848
Plus Current Interest Expense	1,152,207	1,152,207
New PPA Revenues (unaudited)	0	236,171
Cash Flow for Debt Service	5,600,354	5,836,525
Maximum Annual Debt Service (unaudited)	5,521,171	5,764,030
Debt Service Coverage Ratio (DSCR)	1.01	1.01

Financials. Audited financial statements for DDI and its affiliate for the fiscal years ended December 31, 2017 and December 31, 2018, and for DDI for fiscal year ended December 31, 2019, were audited by BDO USA, LLP and are attached as Appendix B-II. Interim unaudited financial information for DDI prepared by DDI's Management covering the period from January 1, 2020 through March 31, 2021 is attached as Appendix C-II. Significant accounting policies are contained in the notes to the audited financial statements, as well as Consolidating Statements for DDI and its affiliate for fiscal years ended December 31, 2017 and December 31, 2018.

Management's Summary of Financial Information and Results of Operations.

Summary of Financial information for Prior Five Fiscal Years — All Funds.

The following is a summary of financial information for DDI for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by DDI's Management and derived from DDI's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-II; audited financial statements for the fiscal years ended December 31, 2016 and December 31, 2015 are available upon request. Note that only the operations of DDI are presented below, which results may differ from the reported figures in the audited financial statements respecting DDI and its affiliate for fiscal years ended December 31 of 2015 through 2018.

	Fiscal Year Ended December 31,				
	2015	**2016**	**2017**	**2018**	**2019**
Current Assets	$34,115,578	$39,985,881	$38,786,628	$35,960,758	$33,856,993
Net Fixed Assets	28,059,733	27,545,851	27,625,661	30,337,735	33,822,622
Other	5,501,309	4,817,620	4,971,488	5,113,346	15,113,902
Total	67,676,620	72,349,352	71,383,777	71,411,839	82,793,517
Current Liabilities	15,962,549	20,280,743	18,772,727	20,532,639	17,672,259
Other Liabilities	31,423,161	28,280,699	27,291,619	21,364,508	34,391,267
Net Assets	20,920,910	23,787,910	25,319,431	29,514,692	30,729,991
Total	67,676,620	72,349,352	71,383,777	71,411,839	82,793,517
Operating Revenue:					
Program Revenue	98,848,011	99,811,644	98,960,074	102,954,678	107,535,896
Nonprogram Revenue	0	0	0	0	0
Total	98,848,011	99,811,644	98,960,074	102,954,678	107,535,896
Operating Expenses	97,832,352	98,764,085	97,663,770	103,926,196	108,826,544
Change in Net Assets	1,015,659	1,047,559	1,296,304	(971,518)	(1,290,648)
Non-Operating Changes	1,301,650	2,449,441	235,217	5,166,779	2,505,947
Net Assets, Beginning of Year	17,973,601	20,290,910	23,787,910	25,319,431	29,514,692
Net Assets, End of Year	20,290,910	23,787,910	25,319,431	29,514,692	30,729,991
Cash & Equivalents	14,555,228	15,981,145	13,685,926	9,948,712	14,539,414

Management Discussion of Results of Operations.

(1) Known Trends or Uncertainties Likely to Have an Impact on Liquidity: DDI is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on DDI's short-term or long-term liquidity.

(2) Sources of Liquidity: (a) Internal - DDI had current assets of $33,856,993 and $35,960,758 at the end of fiscal years 2019 and 2018, respectively, (b) External – DDI has available a $9 million revolving line of credit with TD Bank, N.A. for operating or capital expenses.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: DDI is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on DDI's revenue or income.

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2019 and 2018 were $453,377 and $387,618, respectively. See Appendix C-II for interim unaudited financial information through March 31, 2021.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenues of the program. The number of persons served by DDI's total operations have not materially increased or decreased in recent years.

Liquidity and Capital Resources. As of December 31, 2019 and December 31, 2018, DDI had $14,539,414 and $9,948,712 in unrestricted cash and cash equivalents and $16,861,013 and $19,773,235 in net accounts receivable, respectively.

As of February 28, 2021, DDI had an available revolving line of credit of $9 million with TD Bank, N.A. The proceeds of the line of credit may be used for operating or capital expenses. The line of credit is secured by a lien on DDI's accounts receivable, subject to certain subordination agreements, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was no outstanding balance on such line of credit as of February 28, 2021.

Long-Term Debt. As of December 31, 2019 and December 31, 2018, DDI had $23,809,114 and $19,439,922, respectively, in outstanding long-term indebtedness including mortgages, bonds, loans and capital lease obligations, some of which debt is secured by a security interest in DDI's Public Funds. See Notes 9, 11 and 12 of DDI's Audited Financial Statement for fiscal year ending December 31, 2019 under the titles of "Capital Lease Obligations," "Mortgages and Loans Payable" and "Bonds Payable." DDI has not incurred additional long-term debt subsequent to December 31, 2019.

Prior Pledges. DDI's line of credit for $9 million with TD Bank, N.A. is secured by a lien on DDI's accounts receivable, subject to certain subordination agreements, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of DDI's total outstanding long-term debt as of December 31, 2019 and December 31, 2018, $22,532,867 and $18,533,715 is secured by a security interest in certain receivables of and real properties owned by DDI, which may include DDI's Public Funds, and thus constitutes a Prior Pledge as to such funds. DDI's total Prior Pledges (including short term and long term debt) as of February 28, 2021 amount to $20,132,084.

Contingencies; Pending or Potential Litigation. According to DDI Management, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened to challenge the authority or ability of DDI to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might, in the opinion of DDI Management, materially adversely affect the ability of DDI to carry out the transactions contemplated in the Loan Agreement, the Mortgages and the Intercept Agreement.

Management.

Directors and Officers: The affairs of DDI are governed by a Board of Directors of up to eighteen persons. The officers are comprised of: Russell Snaith, Chairperson, Kevin Long, Vice Chairperson, Michael D'Alauro, Treasurer and Philip Veneziano, Secretary. Other members of the Board are: Larry Boone, Rocco Cirigliano, Pamela Frank, James Fogarty, Adam Guttell, Linda Namias, Joseph Napolitano, Joseph Schmidt, Victoria Shoaf and John Werner. The Board of Directors meets at least six times a year. A majority of the members of the Board constitute a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: John Lessard is the Executive Director of DDI. He holds a Master of Business Administration from Dowling College. Prior to working at DDI, Mr. Lessard was the Vice President of Operations for St. Charles Hospital in Port Jefferson, New York. DDI has several other key employees including Kim Kubasek, Associate Executive Director and Sophia Samuel, Chief Financial Officer.

Continuing Disclosure.

As described in this paragraph, during the past five years, DDI failed to provide certain secondary market disclosure pursuant to Rule 15c2-12 in connection with its previous continuing disclosure undertakings. Such failures include (i) late filing of its audited financial statements with respect to its fiscal year ended December 31, 2015; (ii) late filing of its audited financial statements with respect to its fiscal year ended December 31, 2016; (iii) late filing of its audited financial statements with respect to its fiscal year ended December 31, 2017; (iv) late filing of its audited financial statements with respect to its fiscal year ended December 31, 2018; and (v) late filing of its Annual Information with respect to its fiscal year ended December 31, 2019. DDI's Annual Information was timely filed with respect to its fiscal year ended December 31, 2019 but was labeled incorrectly by the responsible dissemination agent. DDI has adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

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HASC CENTER, INC.

General Operations. HASC Center, Inc. ("HASC Center") was founded in 1963. Operating out of 20 facilities, HASC Center provides a wide range of day and residential services to the developmentally disabled community of Brooklyn. The mission of HASC Center is to assist people with developmental disabilities to improve the quality of their lives in the community. To achieve this mission, HASC Center provides quality housing, habilitative and rehabilitative services to people with disabilities. HASC Center operates within a philosophy of encouraging independence, individualization, inclusion and productivity for its consumers. HASC Center is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

The financial statements of HASC Center are prepared on a consolidated basis among HASC Center and its subsidiary. However, the financial information in this Appendix is limited to the operations of HASC Center, as the subsidiary of HASC Center will not have any obligation to make payments under the Loan Agreement. The Series 2021 Participant is only HASC Center.

HASC Center's funding sources for its 2020 Fiscal Year were: OPWDD (approximately 99%) and miscellaneous other sources (approximately 1%).

Description of Facilities and Financing Plan. DASNY will lend HASC Center $1,045,000 from the proceeds of the Series 2021 Bonds ("HASC Center's Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facility and Project described below, as well as for related legal fees, costs of issuance and debt service reserve requirements.

- The Facility is a 59,988 square-foot, 3-story building located at 5601 1st Avenue, Brooklyn, New York. The Project consists of the construction, renovation, furnishing and/or equipping of the Facility for use as a day habilitation center for seventy-seven adults with developmental disabilities.

The governmental funding source for the Facility is OPWDD and the Facility is supported by a PPA, which HASC Center has received. This means the Facility is pre-approved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the construction, renovation, furnishing and/or equipping of the Facility and financing or refinancing costs incurred in connection therewith.

The Facility is a New PPA Lien Project. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

HASC Center has received a Certificate of Occupancy for the Facility, and HASC Center has received an Operating Certificate from OPWDD for the Facility. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

HASC Center leases the Facility. HASC Center will collaterally assign to DASNY pursuant to a Collateral Assignment of Leases its right, title and interest (but not its obligations) in the lease for the Facility and grant DASNY a lien on the Public Funds attributable to the Facility. The landlord under the lease for the Facility has consented to such collateral assignment. The term of the lease together with all lease renewal options available to HASC Center for the Facility exceeds the term of HASC's Allocable Portion of the Series 2021 Bonds. See the information in this Official Statement entitled "PART 11 – BONDHOLDERS' RISKS – Specific Risks Related to Series 2021 Leased Facilities."

Other Properties. HASC Center also owns 17 other properties and leases 24 other residential and day program properties in the County of Kings, New York.

Employees. HASC Center employs 357 full-time and 193 part-time employees. HASC Center expects that the operation of the Facility will not require it to employ additional personnel.

Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and HASC Center, the Actual Debt Service Coverage Ratio of HASC Center for Fiscal Year 2020 and the Pro Forma Debt Service Coverage Ratio (which includes HASC Center's Allocable Portion of the Series 2021 Bonds) are as follows:

	2020 Actual	2020 Pro Forma
Revenues	$57,320,996	$57,320,996
Expenses	54,999,958	54,999,958
Net Income (after adj.)	2,321,038	2,321,038
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	1,723,588	1,723,588
Plus Current Interest Expense	605,079	605,079
New PPA Revenues (unaudited)	0	217,473
Cash Flow for Debt Service	4,649,705	4,867,178
Maximum Annual Debt Service (unaudited)	1,750,676	1,968,149
Debt Service Coverage Ratio (DSCR)	2.656	2.473

Financials. Audited financial statements for HASC Center and its subsidiary for the fiscal years ended June 30, 2020, June 30, 2019 and June 30, 2018 were prepared by J. Gliksman CPA P.C. and are attached as Appendix B-III. Interim unaudited financial information for HASC Center prepared by HASC Center's Management covering the period from July 1, 2020 through February 28, 2021 is attached as Appendix C-III. Significant accounting policies are contained in the notes to the audited financial statements.

Management's Summary of Financial Information and Results of Operations.

Summary of Financial information for Prior Five Fiscal Years — All Funds.

The following is a summary of financial information for HASC Center for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by HASC Center's Management and derived from HASC Center's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-III; audited financial statements for the fiscal years ended June 30, 2017 and June 30, 2016 are available upon request. Note that only the operations of HASC Center are presented below, which results may differ from the reported figures in the audited financial statements respecting HASC Center and its subsidiary.

	Fiscal Year Ended December 31,				
	2016	**2017**	**2018**	**2019**	**2020**
Current Assets	$32,776,724	$29,048,498	$34,191,030	$33,638,425	$36,881,355
Net Fixed Assets	13,011,799	23,507,550	23,326,925	24,515,998	23,706,926
Other	3,512,554	3,488,193	3,683,296	4,685,109	5,185,178
Total	49,301,077	56,044,241	61,201,251	62,839,532	65,773,459
Current Liabilities	3,352,528	4,450,951	4,885,671	5,728,605	8,309,758
Other Liabilities	13,147,514	18,336,136	15,520,536	15,127,108	13,756,137
Net Assets	36,153,563	37,708,105	40,795,044	41,938,819	43,707,564
Total	49,301,077	56,044,241	61,201,251	62,839,532	65,773,459
Operating Revenue:					
Program Revenue	43,646,117	41,805,943	45,830,155	49,686,049	48,825,222
Nonprogram Revenue	223,127	1,441,438	1,346,934	1,176,815	1,567,560
Total	43,869,244	43,247,381	47,177,089	50,862,864	50,392,782
Operating Expenses	41,800,302	41,692,839	44,090,150	49,674,088	48,669,037
Change in Net Assets	2,068,942	1,554,542	3,086,939	1,188,776	1,723,745
Non-Operating Changes	0	0	0	0	0
Net Assets, Beginning of Year	34,084,621	36,153,563	37,708,105	40,795,044	41,983,820
Net Assets, End of Year	36,153,563	37,708,105	40,795,044	41,983,820	43,707,565
Cash & Equivalents	11,115,953	4,634,512	4,296,630	1,328,777	664,673

Management Discussion of Results of Operations.

(1) Known Trends or Uncertainties Likely to Have an Impact on Liquidity: HASC Center is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on HASC Center's short-term or long-term liquidity.

(2) Sources of Liquidity: (a) Internal – HASC Center had current assets of $36,881,355 and $33,638,425 at the end of fiscal years 2020 and 2019, respectively, (b) External - HASC Center has available with Capital One Bank a $3.5 million revolving line of credit for operating expenses.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: HASC Center is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on HASC Center's revenue or income.

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2020 and 2019 were $1,133,929 and $957,896, respectively. See Appendix C-III for interim unaudited financial information through February 28, 2021.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenues of the program. The number of persons served by HASC Center's total operations have not materially increased or decreased in recent years.

Liquidity and Capital Resources. As of June 30, 2020 and June 30, 2019, HASC Center had $664,673 and $1,328,777 in unrestricted cash and cash equivalents and $1,126,196 and $2,013,613 in net accounts receivable, respectively.

As of February 28, 2021, HASC Center had an available revolving line of credit of $3.5 million with Capital One Bank. The proceeds of the line of credit are to be used for operating expenses. The line of credit is secured by a lien on HASC Center's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The outstanding balance on such line of credit as of February 28, 2021 was $2.5 million.

Long-Term Debt. As of June 30, 2020 and June 30, 2019, HASC Center had $11,883,301 and $13,392,846, respectively, in outstanding long-term indebtedness including mortgages, bonds and loans, some of which debt is secured by a security interest in HASC Center's Public Funds. See Notes H, I, and J of HASC Center's Audited Financial Statement for fiscal year ending June 30, 2020 under the titles of "Bonds Payable," "Mortgages Payable" and "Loans Payable," respectively. HASC Center has not incurred additional long-term debt subsequent to June 30, 2020.

Prior Pledges. HASC Center's line of credit in the aggregate amount of $3.5 million with Capital One Bank is secured by a lien on HASC Center's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of HASC Center's total outstanding long-term debt as of June 30, 2020 and June 30, 2019, $6,498,301 and $7,359,600 is secured by a security interest in certain receivables of and real properties owned by HASC Center, which may include HASC Center's Public Funds, and thus constitutes a Prior Pledge as to such funds. HASC Center's total Prior Pledges (including short term and long term debt) as of February 28, 2021 amount to $6,166,618.

Contingencies; Pending or Potential Litigation. According to HASC Center Management, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened to challenge the authority or ability of HASC Center to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might, in the opinion of HASC Center Management, materially adversely affect the ability of HASC Center to carry out the transactions contemplated in the Loan Agreement, the Collateral Assignment of Leases and the Intercept Agreement.

Management.

Directors and Officers: The affairs of HASC Center are governed by a fourteen member Board of Directors. The officers are comprised of: Abe Eisner, President, Shloimie Goldner, Secretary, and Chaim Lefkowitz, Vice President. The other members of the Board of Directors are: Fishel Beigel, Rabbi Chaim Israel, Aaron Kahn Lillian Lieberman, Mordechai Perlstein, Avromi Schonfeld, Rabbi Yeshaya Schwartz, Itchie Toder, Yanky Neuhoff and Israel Zyskind. The Board of Directors meets at least four times a year. A majority of the members of the Board constitute a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Samuel Kahn is the Executive Director of HASC Center. Mr. Kahn founded HASC Center in 1981 and has been fundamental in creating some of HASC Center's most successful programs, including CAMP HASC, a summer camp experience for children with developmental disabilities. He holds a Bachelor of Arts in Talmudic Studies from Chasan Sofer Rabbinical College and a Masters of Arts in Business Administration from Adelphi University. HASC Center has several other key employees including Rabbi Wakslak, Clinical Director and Isaiah Levy, Controller.

Continuing Disclosure.

HASC Center is in compliance with all of its continuing disclosure undertakings made pursuant to Rule 15c2-12.

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HEARTSHARE HUMAN SERVICES OF NEW YORK

General Operations. HeartShare Human Services of New York ("HeartShare") was founded in 1914 to assist orphaned teens find housing and jobs and currently serves to nurture and empower children and adults with intellectual and developmental disabilities, including Autism Spectrum Disorders, through education, life skills and vocational training, employment, residential, case management, recreational, individual and family supports and health care services. HeartShare affiliates include The HeartShare School, which offers quality education and therapies to children with autism, HeartShare Wellness, which provides therapies and counseling, as well as case management to those with developmental disabilities and people with chronic conditions, and HeartShare St. Vincent's Services ("HSVS"), which supports children, adults and families living in crisis due to experiences with poverty. Since its founding, HeartShare has expanded its reach to over 100 program sites in Brooklyn, Queens and Staten Island, New York, as well as to 60 of the 62 New York counties through energy grants to low-income families. HeartShare is proud that 90% of all its revenues are used directly for its programs and services. HeartShare is accredited by the Council on Accreditation of Services for Families and Children and is a Better Business Bureau Accredited Charity. HeartShare is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

The financial statements of HeartShare are prepared on a consolidated basis among HeartShare and its affiliates. However, the financial information in this Appendix is limited to the operations of HeartShare, as the affiliates of HeartShare will not have any obligation to make payments under the Loan Agreement. The Series 2021 Participant is only HeartShare.

HeartShare's funding sources for its 2020 Fiscal Year were: OPWDD (approximately 61%), the City of New York City (approximately 15%), the New York State Education Department (approximately 14%), DOH (approximately 2%) and miscellaneous other sources (approximately 8%).

Description of Facilities and Financing Plan. DASNY will lend HeartShare $3,760,000 from the proceeds of the Series 2021 Bonds ("HeartShare's Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facilities and Projects described below, as well as for related legal fees, costs of issuance and debt service reserve requirements.

- The "1062 Elton Street Facility" consists of a portion of Retail Unit 1 and all of Retail Unit 2 constituting 19,000 square-feet in the Elton Site A-1 Condominium located at 1062 Elton Street a/k/a 122-42 Flatlands Avenue, Brooklyn, New York. Approximately $1,186,080 will be used to finance the "1062 Elton Street Project", which consists of the construction, renovation, furnishing and/or equipping of the 1062 Elton Street Facility for use as a day habilitation center for one hundred twenty adults with developmental disabilities.

- The "53 Dreyer Avenue Facility" is a 2,054 square-foot, 2-story building located at 53 Dreyer Avenue, Staten Island, New York. Approximately $1,276,377 will be used to finance the "53 Dreyer Avenue Project," which consists of the acquisition and rehabilitation of the 53 Dreyer Avenue Facility for use as a residence for six adults with developmental disabilities.

- The "89 Clearmont Avenue Facility" (together with the 1062 Elton Street Facility and the 53 Dreyer Avenue Facility, the "Facilities") is a 2,288 square-foot, 2-story building located at 89 Clearmont Avenue, Staten Island, New York. Approximately $1,237,258 will be used to finance the "89 Clearmont Avenue Project" (together with the 1062 Elton Street Project and the 53 Dreyer Avenue Project, the "Projects") which consists of the acquisition and rehabilitation of the 89 Clearmont Avenue Facility for use as a residence for six adults with developmental disabilities.

The remainder of HeartShare's Allocable Portion in the amount of approximately $60,285 will be used for legal fees, costs of issuance and debt service reserve requirements.

The governmental funding source for the Facilities is OPWDD and the Facilities are supported by PPAs, which HeartShare has received. This means the Facilities are pre-approved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the acquisition and/or renovation and furnishing of the Facilities and financing or refinancing costs incurred in connection therewith.

The Facilities are all New PPA Lien Projects. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

Certificates of Occupancy or temporary Certificates of Occupancy have been received from the applicable local jurisdictions for all of the Facilities. HeartShare has received Operating Certificates from OPWDD for the Facilities, including for the programs which will be relocated to the 53 Dreyer Avenue Facility once the renovations at such facilities have been completed. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

HeartShare owns the 53 Dreyer Avenue Facility and the 89 Clearmont Avenue Facility (collectively, the "Mortgaged Facilities"). HeartShare will grant DASNY a mortgage on the real property with respect to the Mortgaged Facilities, a security interest in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the Mortgaged Facilities, and a lien on the Public Funds attributable to the Mortgaged Facilities.

HeartShare leases the 1062 Elton Street Facility (the "Leased Facility"). HeartShare will collaterally assign to DASNY pursuant to a Collateral Assignment of Leases its right, title and interest (but not its obligations) in the lease for the Leased Facility and grant DASNY a lien on the Public Funds attributable to the Leased Facility. The landlord under the lease for the Leased Facility has consented to such collateral assignment. The term of the lease together with all lease renewal options available to HeartShare for the Leased Facility exceeds the term of HeartShare's Allocable Portion of the Series 2021 Bonds with respect to the Leased Facility. See the information in this Official Statement entitled "PART 11 – BONDHOLDERS' RISKS – Specific Risks Related to Series 2021 Leased Facilities."

Other Properties. HeartShare also owns 40 other properties and leases 73 other residential and day program properties throughout Brooklyn, Queens and Staten Island, New York.

Employees. HeartShare employs 1,010 full-time and 172 part-time employees in Brooklyn, Queens and Staten Island, New York. HeartShare expects that the operation of the Facilities will require it to employ 35 additional personnel.

Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and HeartShare, the Actual Debt Service Coverage Ratio of HeartShare for Fiscal Year 2020 and the Pro Forma Debt Service Coverage Ratio (which includes HeartShares's Allocable Portion of the Series 2021 Bonds) are as follows:

	2020 Actual	**2020 Pro Forma**
Revenues	$101,330,956	$101,330,956
Expenses	101,165,316	101,165,316
Net Income (after adj.)	165,640	165,640
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	2,592,132	2,592,132
Plus Current Interest Expense	1,029,816	1,029,816
New PPA Revenues (unaudited)	0	277,875
Cash Flow for Debt Service	3,787,588	4,065,463
Maximum Annual Debt Service (unaudited)	3,613,279	3,891,154
Debt Service Coverage Ratio (DSCR)	1.0482	1.0448

Financials. Consolidated financial statements for HeartShare for the fiscal years ended June 30, 2018 and June 30, 2019 were audited by BKD, LLP and for fiscal year ended June 30, 2020 by BDO USA, LLP and are attached as Appendix B-IV. Interim unaudited financial information for HeartShare prepared by HeartShare's Management covering the period from July 1, 2020 through February 28, 2021 is attached as Appendix C-IV. Significant accounting policies are contained in the notes to the audited financial statements. Consolidating Statements for HeartShare and its affiliates are included in the audited financial statements for fiscal year ended June 30, 2020 but not for fiscal years ended June 30, 2019 and June 30, 2018.

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Management's Summary of Financial Information and Results of Operations.

Summary of Financial information for Prior Five Fiscal Years — All Funds.

The following is a summary of financial information for HeartShare for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by HeartShare's Management and derived from HeartShare's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-IV; audited financial statements for the fiscal years ended June 30, 2016 and June 30, 2017 are available upon request. Note that only the operations of HeartShare are presented below, which results may differ from the reported figures in the audited financial statements respecting HeartShare and all its affiliates.

	Fiscal Year Ended June 30,				
	2016	**2017**	**2018** (Restated)	**2019**	**2020**
Current Assets	$26,902,619	$22,079,032	$20,377,227	$20,436,270	$27,119,287
Net Fixed Assets	23,833,017	23,258,454	23,598,837	26,026,457	26,540,828
Other	10,130,353	8,671,301	7,720,816	9,755,636	12,093,479
Total	59,866,169	54,008,787	51,696,880	56,218,363	65,753,594
Current Liabilities	28,214,933	23,847,685	15,217,418	19,106,010	32,680,189
Other Liabilities	18,186,817	16,408,740	25,100,884	26,037,546	21,832,958
Net Assets	13,464,419	13,752,362	11,378,578	11,074,807	11,240,447
Total	59,866,169	54,008,787	51,696,880	56,218,363	65,753,594
Operating Revenue:					
Program Revenue	87,978,197	93,404,735	90,152,662	91,149,613	93,181,017
Nonprogram Revenue	8,479,470	6,658,994	8,386,457	11,277,650	13,348,841
Total	96,457,667	100,063,729	98,539,119	102,427,263	106,529,948
Operating Expenses	94,205,382	96,275,786	98,789,045	102,815,902	106,683,026
Change in Net Assets Before Other Changes	2,252,285	3,787,943	(249,926)	(388,639)	(153,168)
Non-Operating Changes	(1,930,124)	(3,500,000)	(471,970)	84,868	318,808
Net Assets, Beginning of Year	13,142,258	13,464,419	12,100,474	11,378,578	11,074,807
Net Assets, End of Year	13,464,419	13,752,362	11,378,578	11,074,807	11,240,447
Cash & Equivalents	5,754,617	4,884,854	3,305,067	1,178,983	3,712,656

Management Discussion of Results of Operations.

(1) Known Trends or Uncertainties Likely to Have an Impact on Liquidity: HeartShare is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on HeartShare's short-term or long-term liquidity.

(2) Sources of Liquidity: (a) Internal - HeartShare had current assets of $27,119,287 and $20,436,270 at the end of fiscal years 2020 and 2019, respectively, (b) External – HeartShare has available with HSBC Bank two available revolving lines of credit of $6.5 million for capital expansion and a $15 million for operating expenses.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: HeartShare is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on HeartShare's revenue or income.

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2020 and 2019 were $1,242,474 and $913,320, respectively. See Appendix C-IV for interim unaudited financial information through February 28, 2021.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenues of the program. The number of persons served by HeartShare's total operations have not materially increased or decreased in recent years.

Liquidity and Capital Resources. As of June 30, 2020 and June 30, 2019, HeartShare had $3,712,656 and $1,178,983 in unrestricted cash and cash equivalents and $22,280,091 and $15,679,688 in net accounts receivable, respectively.

As of February 28, 2021, HeartShare had available with HSBC Bank two revolving lines of credit of $6.5 million and $15 million. The proceeds of the lines of credit are to be used for capital expansion and operating expenses, respectively. The lines of credit are secured by a lien on HeartShare's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The aggregate outstanding balance on such lines of credit as of February 28, 2021 was $10,357,699.

Long-Term Debt. As of June 30, 2020 and June 30, 2019, HeartShare had $11,453,271 and $16,250,503, respectively, in outstanding long-term indebtedness including mortgages, some of which debt is secured by a security interest in HeartShare's Public Funds. See Note 13 of HeartShare's Audited Financial Statement for fiscal year ending June 30, 2020 under the title of "Long-Term Debt." Subsequent to June 30, 2020, HeartShare closed on a loan for $1.9 million from the U.S. Small Business Administration pursuant to its Paycheck Protection Program (PPP); Heartshare used the PPP loan proceeds for the approved purposes and timely submitted appropriate documentation and expects to qualify for full principal forgiveness of the PPP loan.

Prior Pledges. HeartShare's two lines of credit in the aggregate amount of $21.5 million with HSBC Bank are secured by a lien on HeartShare's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of HeartShare's total outstanding long-term debt as of June 30, 2020 and June 30, 2019, $11,453,271 and $16,250,503 is secured by a security interest in certain receivables of and real properties owned by HeartShare, which may include HeartShare's Public Funds, and thus constitutes a Prior Pledge as to such funds. HeartShare's total Prior Pledges (including short term and long term debt) as of February 28, 2021 amount to $26,903,566.

Contingencies; Pending or Potential Litigation. According to HeartShare Management, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened to challenge the authority or ability of HeartShare to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might, in the opinion of HeartShare Management, materially adversely affect the ability of HeartShare to carry out the transactions contemplated in the Loan Agreement, the Mortgages, the Collateral Assignment of Leases and the Intercept Agreement.

Management.

Directors and Officers: The affairs of HeartShare are governed by a Board of Directors of twenty-one members. The officers are comprised of: Paul Torre, Chair, Arleen Baez, First Vice Chair, Angelo Del Giudice, Second Vice Chair, Michael Abatemarco, Treasurer, and Christine Strehle, Secretary. Other members of the Board are: Joseph Caruana, Joseph Benfante, Craig Eaton, Rev. Patrick Flanagan, Christopher Jones, Jim Kerr, Matthew Lipsky, Frank Maresca, Renee McClure, Raymond Mollica, Kenneth Nolan, Rev. Thomas Pettei, Peter Pisapia, Dennis Quirk, Mitchell Scott, Jr. and Rosanna Scotto. The Board of Directors meets at least four times a year. A majority of the Directors in office constitutes a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: William Guarinello was named President and Chief Executive Officer of HeartShare in 1993. Mr. Guarinello joined the non-profit human services agency as a caseworker in 1970. He was named Executive Director in 1985 and Executive Vice President in 1987. Mr. Guarinello's leadership has been the key to HeartShare's success. Mr. Guarinello recently celebrated his 50th anniversary as a HeartShare employee. Mr. Guarinello earned a Bachelor of Arts degree in Psychology from St. Francis College and a Master of Science degree in Counseling Psychology from Nova Southeastern University. Other key employees include Anthony Bianca, Chief Finance Officer, Dawn Saffayeh, Executive Director, HSVS and Linda Tempel, Executive Director, Developmental Disabilities Services.

Continuing Disclosure.

HeartShare has no prior continuing disclosure obligations with respect Rule 15c2-12.

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THE INSTITUTES OF APPLIED HUMAN DYNAMICS INC.

General Operations. The Institutes of Applied Human Dynamics Inc. ("IAHD") was created in 1957 in response to a group of parents seeking supports and assistance for their children with special needs. At that time, programs for individuals with developmental disabilities were few, and families were in crisis. IAHD's founder, Dr. Jack Gootzeit, had started a small program in the Bronx, and his interactions with the children and their families drew upon his physical therapy background, his incorporation of swimming, reflexology, physical activation, behavior strategies and counseling techniques. His early successes facilitated the ambulation of children who might not have otherwise learned to walk, and before long, many parents were turning to IAHD for support. Tireless advocacy and the adaptation of programs and services to meet the needs of people with intellectual and developmental disabilities helped IAHD expand its broad network of supports and develop into the organization it is today. IAHD currently provides residential, educational, case management, day habilitation, vocational and other services to developmentally disabled citizens at facilities located in the Bronx and Westchester County in New York. IAHD is supported primarily by service fees paid by various New York State agencies and government grants including Medicaid and OPWDD. IAHD is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

The financial statements of IAHD are prepared on a consolidated basis among IAHD and its subsidiaries. However, the financial information in this Appendix is limited to the operations of IAHD, as the subsidiaries of IAHD will not have any obligation to make payments under the Loan Agreement. The Series 2021 Participant is only IAHD.

IAHD's funding sources for its 2020 Fiscal Year were: OPWDD (approximately 88%), DOH (approximately 6%) and miscellaneous other sources (approximately 6%).

Description of Facilities and Financing Plan. DASNY will lend IAHD $4,515,000 from the proceeds of the Series 2021 Bonds ("IAHD's Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facilities and Projects described below, as well as for related legal fees, costs of issuance and debt service reserve requirements.

- The "632 Manida Street Facility" is a 3,216 square-foot, 2-story building located at 632 Manida Street, Bronx, New York. Approximately $643,624 will be used to finance the "632 Manida Street Project," which consists of the acquisition and rehabilitation of the 632 Manida Street Facility for use as an intermediate care facility for eleven adults with developmental disabilities.

- The "621 Bryant Avenue Facility" is a 6,160 square-foot, 1-story building located at 621 Bryant Avenue, Bronx, New York. Approximately $796,507 will be used to finance the "621 Bryant Avenue Project," which consists of the acquisition and rehabilitation of the 621 Bryant Avenue Facility for use as an intermediate care facility for twelve adults with developmental disabilities.

- The "1249 Ward Avenue Facility" is a 2,640 square-foot, 2-story building located at 1249 Ward Avenue, Bronx, New York. Approximately $649,518 will be used to finance the "1249 Ward Avenue Project," which consists of the acquisition and rehabilitation of the 1249 Ward Avenue Facility for use as a residence for eight adults with developmental disabilities.

- The "22 New York Avenue Facility" (together with the 632 Manida Street Facility, the 621 Bryant Avenue Facility and the 1249 Ward Avenue Facility, the "Facilities") is a

5,014 square-foot, 2-story building located at 22 New York Avenue, White Plains, New York. Approximately $2,262,453 will be used to finance the “22 New York Avenue Project” (together with the 632 Manida Street Project, the 621 Bryant Avenue Project and the 1249 Ward Avenue Project, the “Projects ”), which consists of the acquisition and rehabilitation of the 22 New York Avenue Facility for use as an intermediate care facility for ten adults with developmental disabilities.

The remainder of IAHD’s Allocable Portion in the amount of approximately $162,898 will be used for legal fees, costs of issuance and debt service reserve requirements.

The governmental funding source for the Facilities is OPWDD and the Facilities are supported by PPAs, which IAHD has received. This means the Facilities are pre-approved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the acquisition and/or renovation and furnishing of the Facilities and financing or refinancing costs incurred in connection therewith. The Facilities are New PPA Lien Projects. See the information in this Official Statement entitled “PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process” for further information concerning New PPA Lien Projects.

Certificates of Occupancy or temporary Certificates of Occupancy have been received from the applicable local jurisdictions for all of the Facilities, and IAHD has received Operating Certificates from OPWDD for all of the Facilities. See the information in this Official Statement entitled “PART 11 - BONDHOLDERS’ RISKS - Completion of the Projects; Zoning; Certificate of Occupancy.”

IAHD owns each of the Facilities. IAHD will grant DASNY a mortgage on the real property with respect to each of the Facilities, a security interest in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the Facilities, and a lien on the Public Funds attributable to the Facilities.

Other Properties. IAHD also owns and operates 28 other properties and leases 10 other residential and day program properties in the Bronx and Westchester County, New York.

Employees. IAHD employs 594 full-time and 20 part-time employees. IAHD does not expect that the operation of the Facilities will require it to employ additional personnel.

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Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and IAHD, the Actual Debt Service Coverage Ratio of IAHD for Fiscal Year 2020 and the Pro Forma Debt Service Coverage Ratio (which includes IAHD's Allocable Portion of the Series 2021 Bonds) are as follows:

	2020 Actual	**2020 Pro Forma**
Revenues	$61,928,478	$61,928,478
Expenses	61,155,498	61,155,498
Net Income (after adj.)	772,980	772,980
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	166,148	166,148
Plus Depreciation and Amortization	1,745,831	1,745,831
Plus Current Interest Expense	512,403	512,403
New PPA Revenues (unaudited)	0	0
Cash Flow for Debt Service	3,197,362	3,197,362
Maximum Annual Debt Service (unaudited)*	1,528,922	1,493,668
Debt Service Coverage Ratio (DSCR)	2.091	2.141

* Note: Pro forma Maximum Annual Debt Service (MADS) estimated to decrease by $35,254 after refinancing current bank loan financed projects.

Financials. Audited financial statements for IAHD and its subsidiaries for the fiscal years ended June 30, 2018, June 30, 2019 and June 30, 2020 were prepared by Grassi & Co., CPAs, P.C. and are attached as Appendix B-V. Interim unaudited financial information for IAHD prepared by IAHD's Management covering the period from July 1, 2020 through February 28, 2021 is attached as Appendix C-V. Significant accounting policies are contained in the notes to the audited financial statements, as well as Consolidating Statements for IAHD and its subsidiaries for fiscal years ended June 30, 2020, June 30, 2019 and June 30, 2018.

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Management's Summary of Financial Information and Results of Operations.

Summary of Financial information for Prior Five Fiscal Years — All Funds.

The following is a summary of financial information for IAHD for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by IAHD's Management and derived from IAHD's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-V; audited financial statements for the fiscal years ended June 30, 2017 and June 30, 2016 are available upon request. Note that only the operations of IAHD are presented below, which results may differ from the reported figures in the audited financial statements respecting IAHD and all its subsidiaries.

	Fiscal Year Ended June 30,				
	2016	**2017**	**2018**	**2019**	**2020**
Current Assets	$13,310,825	$11,094,243	$9,596,636	$11,077,068	$11,792,082
Net Fixed Assets	12,181,094	12,231,147	13,230,142	16,108,961	15,574,766
Other	230,672	1,522,280	1,678,024	1,317,220	556,766
Total	25,722,591	24,847,618	25,504,802	28,503,249	27,923,598
Current Liabilities	10,293,799	9,336,063	10,777,746	10,668,023	9,606,993
Other Liabilities	6,086,434	5,790,752	5,130,985	8,465,582	8,301,913
Net Assets	9,342,358	9,720,803	8,596,071	9,369,644	10,014,692
Total	25,722,591	24,847,618	24,504,802	28,503,249	27,923,598
Operating Revenue:					
Program Revenue	48,226,155	53,900,409	57,058,708	59,859,573	61,108,295
Nonprogram Revenue	541,262	484,433	338,255	553,708	214,348
Total	48,767,417	54,384,842	57,396,963	60,413,281	61,322,643
Operating Expenses	47,703,951	54,133,549	58,905,546	59,637,343	60,511,447
Change in Net Assets	1,063,466	251,293	(1,508,583)	775,938	811,196
Non Operating Changes	(506,946)	127,152	383,851	(2,365)	(166,148)
Net Assets, Beginning of Year	8,785,838	9,342,358	9,720,803	8,596,071	9,369,644
Net Assets, End of Year	9,342,358	9,720,803	8,596,071	9,369,644	10,014,692
Cash & Equivalents	3,731,630	2,355,975	1,464,678	3,036,531	2,580,219

Management Discussion of Results of Operations.

(1) Known Trends or Uncertainties Likely to Have an Impact on Liquidity: IAHD is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on IAHD's short-term or long-term liquidity.

(2) Sources of Liquidity: (a) Internal - IAHD had current assets of $11,792,082 and $11,077,068 at the end of fiscal years 2020 and 2019, respectively, (b) External - IAHD has available with TD Bank a $4 million revolving line of credit for operating expenses.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: IAHD is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on IAHD's revenue or income.

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2020 and 2019 were $214,348 and $532,008, respectively. See Appendix C-V for interim unaudited financial information through February 28, 2021.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenues of the program. The number of persons served by IAHD's total operations have not materially increased or decreased in recent years.

Liquidity and Capital Resources. As of June 30, 2020 and June 30, 2019, IAHD had $2,580,219 and $3,036,531 in unrestricted cash and cash equivalents and $7,417,914 and $5,551,787 in net accounts receivable, respectively.

As of February 28, 2021, IAHD had an available revolving line of credit of $4 million with TD Bank. The proceeds of the line of credit are to be used for operating expenses. The line of credit is secured by a lien on IAHD's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The outstanding balance on such line of credit as of February 28, 2021 was $1.5 million.

Long-Term Debt. As of June 30, 2020 and June 30, 2019, IAHD had $7,704,476 and $8,011,479, respectively, in outstanding long-term indebtedness including mortgages, bonds and loans, and loan guarantees some of which debt is secured by a security interest in IAHD's Public Funds. See Note 6 of IAHD's Audited Financial Statement for fiscal year ending June 30, 2020 under the title of "Loans Payable." IAHD has not incurred additional long-term debt subsequent to June 30, 2020.

Prior Pledges. IAHD's line of credit in the aggregate amount of $4 million with TD Bank is secured by a lien on IAHD's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of IAHD's total outstanding long-term debt as of June 30, 2020 and June 30, 2019, $7,704,476 and $8,011,479 is secured by a security interest in certain receivables of and real properties owned by IAHD, which may include IAHD's Public Funds, and thus constitutes a Prior Pledge as to such funds. IAHD's total Prior Pledges (including short term and long term debt) as of February 28, 2021 amount to $9,236,385.

Contingencies; Pending or Potential Litigation. According to IAHD Management, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened to challenge the authority or ability of IAHD to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might, in the opinion of IAHD Management, materially adversely affect the ability of IAHD to carry out the transactions contemplated in the Loan Agreement, the Mortgages and the Intercept Agreement.

Management.

Directors and Officers: The affairs of IAHD are governed by a Board of Directors of eighteen members. The officers are comprised of: Matthew Kiamie, Chairperson, Jeffrey Winik, Vice Chairperson, Padraic Reynolds, Treasurer, and Patricia Schuckle, Secretary. Other members of the Board are: Michael Agovino, John Carpenter, Iris Coleman, Jeffrey DiNapoli, Doris Figueroa, Elaine Jones, Paul H. Kim, Jeremy Krantz, Mike Reynolds, Howard Rosenzweig, Mary St. Mark, Anna Mae Vener, Michael Winik and Gloria Womack. The Board of Directors meets at least six times a year. A majority of the Directors in office or nine members constitutes a quorum, whichever is less. The members of the Board serve without compensation.

Executive and Administrative Officers: Omayra Andino is the Chief Executive Officer of IAHD. Ms. Andino joined IAHD in 2018 as Chief Operating Officer and was promoted to Chief Executive Officer in July 2019. Ms. Andino has over twenty-seven years of experience in intellectual and developmental disability services including ten years as a Residence Manager, eight years as an Assistant and Associate Residential Program Director and seven years as a Director of Residential Services. Ms. Andino has a Bachelor of Science degree in Organizational Management and a Masters of Business Administration with a concentration in Human Resource Management, both from Nyack College in New York. Other key employees of IAHD include Mary Grace Giuliano, Chief Operating Officer, and Michael Mazzocco, Chief Financial Officer.

Continuing Disclosure.

IAHD has no prior continuing disclosure obligations with respect Rule 15c2-12.

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QSAC, INC.

General Operations. QSAC, Inc. ("QSAC") was founded in 1978. Operating out of 54 facilities, QSAC provides a wide range of in-home and residential services to the developmentally disabled community of New York City and Long Island. QSAC mission is to supports children and adults with autism, together with their families, in achieving greater independence, realizing their future potential, and contributing to their communities in a meaningful way by offering person-centered services. QSAC pursues this mission through direct services that provide a supportive and individualized setting for children and adults with autism to improve their communication, socialization, academic, vocational and functional skills. Programs for children include early intervention, preschool, school, afterschool, and in-home educational and support services. QSAC's adult programs include supportive living, skill development programs, vocational training and job placement and in-home services. All of QSAC's programs provide supportive and trained staff, high-impact services and a commitment to quality. QSAC is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law.

QSAC's funding sources for its 2020 Fiscal Year were: OPWDD (approximately 84%), New York State Education Department (approximately 14%) and miscellaneous other sources (approximately 2%).

Description of Facilities and Financing Plan. DASNY will lend QSAC $6,380,000 from the proceeds of the Series 2021 Bonds ("QSAC's Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facilities and Projects described below, as well as for related legal fees, costs of issuance and debt service reserve requirements.

- The "161-05 119th Avenue Facility" is a 1,900 square-foot, 2-story building located at 161-05 119th Avenue, Jamaica, New York. Approximately $1,310,179 will be used to finance the "161-05 119th Avenue Project," which consists of the acquisition and rehabilitation of the 161-05 119th Avenue Facility for use as a residence for six adults with developmental disabilities.

- The "396 Woodfield Road Facility" is a 3,322 square-foot, 2-story building located at 396 Woodfield Road, West Hempstead, New York. Approximately $1,208,056 will be used to finance the "396 Woodfield Road Project," which consists of the acquisition and rehabilitation of the 396 Woodfield Road Facility for use as a residence for eight adults with developmental disabilities.

- The "134-21 161st Street Facility" is a 2,130 square-foot, 2-story building located at 134-21 161st Street, Jamaica, New York. Approximately $1,349,767 will be used to finance the "134-21 161st Street Project," which consists of the acquisition and rehabilitation of the 134-21 161st Street Facility for use as a residence for eight adults with developmental disabilities.

- The "1 Kenmore Street Facility" is a 2,000 square-foot, 2-story building located at 1 Kenmore Street, Dix Hills, New York. Approximately $1,165,479 will be used to finance the "1 Kenmore Street Project," which consists of the acquisition and rehabilitation of the 1 Kenmore Street Facility for use as a residence for six adults with developmental disabilities.

- The "36 Dock Lane Facility" (together with the 161-05 119th Avenue Facility, the 396 Woodfield Road Facility, the 134-21 161st Street Facility and the 1 Kenmore Street Facility, the "Facilities") is a 2,434 square-foot, 2-story building located at 36 Dock Lane, Wantagh, New York. Approximately $1,097,194 will be used to finance the "36 Dock Lane Project" (together with the 161-05 119th Avenue Project, the 396 Woodfield Road Project, the 134-21 161st Street Project and the 1 Kenmore Street Project, the "Projects "), which consists of the acquisition and rehabilitation of the 36 Dock Lane Facility for use as a residence for six adults with developmental disabilities.

The remainder of QSAC's Allocable Portion in the amount of approximately $249,325 will be used for legal fees, costs of issuance and debt service reserve requirements.

The governmental funding source for the Facilities is OPWDD and the Facilities are supported by PPAs, which QSAC has received. This means the Facilities are pre-approved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the acquisition and/or renovation and furnishing of the Facilities and financing or refinancing costs incurred in connection therewith.

The Facilities are New PPA Lien Projects. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

Certificates of Occupancy or temporary Certificates of Occupancy have been received from the applicable local jurisdictions for all of the Facilities, and QSAC has received Operating Certificates from OPWDD for all of the Facilities. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

QSAC owns each of the Facilities. QSAC will grant DASNY a mortgage on the real property with respect to each of the Facilities, a security interest in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the Facilities, and a lien on the Public Funds attributable to the Facilities.

Other Properties. QSAC also owns and operates 16 other properties and leases 33 other residences, Day Habilitation Programs, schools and offices in New York City and Long Island.

Employees. QSAC employs 909 full-time and 502 part-time employees. QSAC does not expect that the operation of the Facilities will require it to employ additional personnel.

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Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and QSAC, the Actual Debt Service Coverage Ratio of QSAC for Fiscal Year 2020 and the Pro Forma Debt Service Coverage Ratio (which includes QSAC's Allocable Portion of the Series 2021 Bonds) are as follows:

	2020 Actual	2020 Pro Forma
Revenues	$86,806,165	$86,806,165
Expenses	86,034,023	86,034,023
Net Income (after adj.)	772,142	772,142
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	844,915	844,915
Plus Current Interest Expense	421,436	421,436
New PPA Revenues (unaudited)	0	80,687
Cash Flow for Debt Service	2,038,493	2,119,180
Maximum Annual Debt Service (unaudited)	1,145,587	1,177,844
Debt Service Coverage Ratio (DSCR)	1.78	1.80

Note: Pro forma Maximum Annual Debt Service (MADS) estimated to decrease by $48,430 after refinancing current bank loan financed projects and increase by $80,687 for a new money project.

Financials. Audited financial statements for QSAC for the fiscal years ended June 30, 2018, June 30, 2019 and June 30, 2020 were audited by Grassi & Co., CPAs, P.C. and are attached as Appendix B-VI. Interim unaudited financial information for QSAC prepared by QSAC's Management covering the period from July 1, 2020 through February 28, 2021 is attached as Appendix C-VI. Significant accounting policies are contained in the notes to the audited financial statements.

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Management's Summary of Financial Information and Results of Operations.

Summary of Financial information for Prior Five Fiscal Years — All Funds.

The following is a summary of financial information for QSAC for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by QSAC's Management and derived from QSAC's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-VI; audited financial statements for the fiscal years ended June 30, 2017 and June 30, 2016 are available upon request.

	Fiscal Year Ended June 30,				
	2016	**2017**	**2018**	**2019**	**2020**
Current Assets	$18,989,288	$19,488,136	$23,375,394	$23,783,116	$29,653,063
Net Fixed Assets	11,512,931	11,516,935	12,495,921	14,549,440	14,339,466
Other	164,525	164,525	161,850	125,525	39,937
Total	30,666,744	32,649,596	36,033,165	38,458,081	44,032,466
Current Liabilities	15,145,003	16,708,371	19,738,718	19,548,975	17,087,040
Other Liabilities	8,667,730	7,755,292	7,027,954	8,795,502	16,059,680
Net Assets	6,854,011	8,185,933	9,266,493	10,113,604	10,885,746
Total	30,666,744	32,649,596	36,033,165	38,458,081	44,032,466
Operating Revenue:					
Program Revenue	67,809,280	74,386,179	78,763,301	86,179,455	83,532,057
Nonprogram Revenue	2,047,709	2,422,629	2,414,200	3,224,169	3,274,108
Total	69,856,989	76,808,808	81,177,501	89,403,624	86,806,165
Operating Expenses	68,429,445	75,476,886	80,096,941	88,556,513	86,034,023
Change in Net Assets	1,427,544	1,331,922	1,080,560	847,111	772,142
Non Operating Changes	0	0	0	0	0
Net Assets, Beginning of Year	5,426,467	6,854,011	8,185,933	9,266,493	10,113,604
Net Assets, End of Year	6,854,011	8,185,933	9,266,493	10,113,604	10,885,746
Cash & Equivalents	5,753,392	5,526,619	5,885,384	6,814,552	9,504,233

Management Discussion of Results of Operations.

(1) Known Trends or Uncertainties Likely to Have an Impact on Liquidity: QSAC is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on QSAC's short-term or long-term liquidity.

(2) Sources of Liquidity: (a) Internal - QSAC had current assets of $29,653,063 and $23,783,116 at the end of fiscal years 2020 and 2019, respectively, (b) External – QSAC has a line of credit with Sterling Bank for $8 million for operating expenses and a line of credit with Sterling Bank for $2.5 million for acquisition and renovation of real property and associated start-up costs

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: QSAC is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on QSAC's revenue or income.

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2020 and 2019 were $3,162,544 and $2,838,999, respectively. See Appendix C-VI for interim unaudited financial information through February 28, 2021.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenues of the program. The number of persons served by QSAC's total operations have not materially increased or decreased in recent years.

Liquidity and Capital Resources. As of June 30, 2020 and June 30, 2019, QSAC had $9,504,233 and $6,814,552 in unrestricted cash and cash equivalents and $12,102,028 and $9,009,982 in net accounts receivable, respectively.

As of February 28, 2021, QSAC had an available revolving line of credit of $8 million with Sterling Bank. The proceeds of the line of credit are to be used for operating expenses. The line of credit is secured by a lien on QSAC's accounts receivable and other business assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was no outstanding balance on such line of credit as of February 28, 2021.

As of February 28, 2021, QSAC had an available revolving line of credit of $2.5 million with Sterling Bank. The proceeds of the line of credit are to be used for acquisition and renovation of real property and associated start-up costs. The line of credit is secured by a lien on QSAC's related real property and accounts, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. The outstanding balance on such line of credit as of February 28, 2021 was $1,305,244.

Long-Term Debt. As of June 30, 2020 and June 30, 2019, QSAC had $16,059,680 and $8,795,502, respectively, in outstanding long-term indebtedness including mortgages, bonds and loans, and capital lease obligations some of which debt is secured by a security interest in QSAC's Public Funds. See Notes 8, 9 and 10 of QSAC's Audited Financial Statement for fiscal year ending June 30, 2020 under the titles of "Loans Payable," "Long Term Debt - Paycheck Protection Program Loan and "Capital Lease Obligations," respectively. QSAC has not incurred additional long-term debt subsequent to June 30, 2020, and has since paid down long term debt in the amount of $428,380

Prior Pledges. QSAC's lines of credit in the aggregate amounts of $8 million and $2.5 million with Sterling Bank are secured by a lien on QSAC's accounts receivable and other business assets and real property, respectively, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of QSAC's total outstanding long-term debt as of June 30, 2020 and June 30, 2019, $16,059,680 and $8,795,502 is secured by a security interest in certain receivables of and real properties owned by QSAC, which may include QSAC's Public Funds, and thus constitutes a Prior Pledge as to such funds. QSAC's total Prior Pledges (including short term and long term debt) as of February 28, 2021 amount to $15,671,544.

Contingencies; Pending or Potential Litigation. According to QSAC Management, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened to challenge the authority or ability of QSAC to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might, in the opinion of QSAC Management, materially adversely affect the ability of QSAC to carry out the transactions contemplated in the Loan Agreement, the Mortgages and the Intercept Agreement.

Management.

Directors and Officers: The affairs of QSAC are governed by a Board of Directors of not more than twenty-five members. The officers are comprised of: Yvette Watts, Chairperson, Diana Parisy, Vice Chairperson, Paul Halvatzis, Vice Chairperson, Evan Metalios, Treasurer, and Linda Foster, Secretary. Other members of the Board are: Michael Fegan, Robyn Koven, Larry Litwack, Pratima Malhotra, Aleksey Maslov, Robin Ponsolle, Claire Poretsky, Stuart Riback, Michael Serao and Christina Sidoni. The Board of Directors meets at least six times a year. A majority of the Directors in office constitutes a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Lisa Veglia is the Chief Executive Officer of QSAC, an advocate for individuals with autism, and a Licensed Clinical Social Worker. She has been with QSAC since 1991 having previously served as the organization's Deputy Executive Director and Chief Administrative Officer for 10 years and as the Associate Executive Director for nine years. Lisa serves as the Chairperson of the Queens Council on Developmental Disabilities, an organization which advocates for the rights of individuals with developmental disabilities. She is also the Council's former Vice Chair and a past Co-Chair of the Children's Committee. Lisa also serves as the Vice President of the board for the Program Facilitator. In addition to serving on the board, she currently serves as the Chair of the Program Facilitator's Education Committee and as a past Chair of both the Early Intervention and ICS committees. Lisa received a Master's in Public Administration from Baruch College's School of Public Affairs, a Master's in Social Work from New York University, and a Bachelor of Arts in Psychology from Queens College. Other key employees of QSAC include Cory Polshanksy, President and Chief Operating Officer, and Mi Jung Choi, Chief Financial Officer.

Continuing Disclosure.

As described in this paragraph, during the past five years, QSAC failed to provide certain secondary market disclosure pursuant to Rule 15c2-12 in connection with its previous continuing disclosure undertakings. Such failures include late filings of its audited financial statements and Annual Information with respect to its fiscal year ended June 30, 2019. QSAC has adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

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<u>**YOUNG ADULT INSTITUTE, INC.**</u>

<u>**General Operations**</u>**.** Young Adult Institute, Inc. ("YAI") was founded in 1957. Today, YAI provides a wide range of in-home, residential, vocational training, educational and early intervention services to the developmentally disabled community of the State of New York**.** YAI's mission is to provide support and assistance to individuals with developmental and related disabilities and their families. To achieve its mission, YAI provides services whose goals are: (i) to assist individuals to develop to their fullest level of independence; (ii) to allow individuals choice in determining what their lives will be like; (iii) to help families stay together by providing relief, training and support of care givers which enhance the family's quality of life; and (iv) to provide excellent services as defined by the consumers of service. YAI is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

The financial statements of YAI are prepared on a consolidated basis among YAI and its affiliates. However, the financial information in this Appendix is limited to the operations of YAI, as the affiliates of YAI will not have any obligation to make payments under the Loan Agreement**.** The Series 2021 Participant is only YAI.

YAI's funding sources for its 2020 Fiscal Year were: OPWDD (approximately 99.5%) and miscellaneous other sources (approximately 0.5%).

<u>**Description of Facilities and Financing Plan**</u>**.** DASNY will lend YAI $5,535,000 from the proceeds of the Series 2021 Bonds ("YAI's Allocable Portion"). Such amount will be used to finance or refinance debt incurred in connection with the Facilities and Projects described below, as well as for related legal fees, costs of issuance and debt service reserve requirements.

- The "21-60 31st Street Facility" is a 15,096 square-foot, 2-story building located at 21-60 31st Street, Astoria, New York. Approximately $2,374,696 will be used to finance the "21-60 31st Street Project," which consists of the rehabilitation of the 21-60 31st Street Facility for use as a residence for fourteen adults with developmental disabilities.

- The "188 Landscape Drive Facility" is a 3,330 square-foot, 2-story building located at 188 Landscape Drive, Wheatley Heights, New York. Approximately $480,000 will be used to finance the "188 Landscape Drive Project," which consists of the acquisition and rehabilitation of the 188 Landscape Drive Facility for use as a residence for six adults with developmental disabilities.

- The "111-20 115th Street Facility" (together with the 21-60 31st Street Facility and the 88 Landscape Drive Facility, the "Facilities") consists of the first and second floors of a 13,200 square-foot, 2-story building located at 111-20 115th Street, South Ozone Park, New York. Approximately $2,499,233 will be used to finance the "111-20 115th Street Project" (together with the 21-60 31st Street Project and the 188 Landscape Drive Project, the "Projects"), which consists of the rehabilitation of the 111-20 115th Street Facility for use as a residence for thirteen adults with developmental disabilities.

The remainder of YAI's Allocable Portion in the amount of approximately $181,071 will be used for legal fees, costs of issuance and debt service reserve requirements.

The governmental funding source for the Facilities is OPWDD and the Facilities are supported by PPAs, which YAI has received. This means the Facilities are pre-approved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the acquisition, lease and/or renovation and furnishing of the Facilities and financing or refinancing costs incurred in connection therewith.

The Facilities are New PPA Lien Projects. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2021 PARTICIPANT REVENUE - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

Certificates of Occupancy or temporary Certificates of Occupancy have been received from the applicable local jurisdictions for all of the Facilities. YAI has received Operating Certificates from OPWDD for all of the Facilities, including for the programs which will be relocated to the 21-60 31st Street Facility and the 111-20 115th Street Facility once the renovations at such facilities have been completed. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

YAI owns the 188 Landscape Drive Facility, and YAI will grant DASNY a mortgage on the real property with respect to the 188 Landscape Drive Facility, a security interest in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the 188 Landscape Drive Facility, and a lien on the Public Funds attributable to the 188 Landscape Drive Facility. YAI acquired title to the 188 Landscape Drive Facility by deed dated September 30, 2019 subject to the terms of a Disposition Agreement dated April 18, 2019 by and among the People of the State of New York, acting by and through the OPWDD, DASNY, and YAI (the "Disposition Agreement"). The Disposition Agreement contained a right of reacquisition by the People of the State of New York, acting by and through OPWDD and/or DASNY, in the event that YAI, its successors and assigns fail to utilize the 188 Landscape Drive Facility as an authorized not-for-profit community mental hygiene services facility for persons with mental retardation and developmental disabilities or, in the event that there is no longer a need for community mental hygiene services, another legally authorized not-for-profit mental hygiene program purpose to which OPWDD has consented in writing . YAI has requested and received from the People of the State of New York, acting by and through the OPWDD and/or DASNY, a subordination agreement in order to subordinate the right of reacquisition to the lien granted by YAI's Mortgage on the 188 Landscape Drive Facility. There is no guarantee that YAI's title to the 188 Landscape Drive Facility will not continue to be subject to the right of reacquisition.

YAI leases the 21-60 31st Street Facility and the 111-20 115th Street Facility (collectively, the "Leased Facilities"). YAI will collaterally assign to DASNY pursuant to a Collateral Assignment of Leases its right, title and interest (but not its obligations) in the respective leases for the Leased Facilities and grant DASNY a lien on the Public Funds attributable to the Leased Facilities. The respective landlords under the leases for the Leased Facilities have each consented to such collateral assignment. The respective terms of the leases together with all lease renewal options available to YAI for the Leased Facilities exceeds the term of YAI's Allocable Portion of the Series 2021 Bonds with respect to each of the Leased Facilities. See the information in this Official Statement entitled "PART 11 – BONDHOLDERS' RISKS – Specific Risks Related to Series 2021 Leased Facilities."

Other Properties. YAI also owns approximately 90 and leases approximately 128 other properties in the Boroughs of New York City and Nassau, Rockland, Suffolk and Westchester Counties.

Employees. YAI employs approximately 1,50 full-time and 1,266 part-time employees in the State of New York**.** YAI expects that the operation of the Facilities will require it to employ 70 additional personnel.

Debt Service Coverage.

Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and YAI, the Actual Debt Service Coverage Ratio of YAI for Fiscal Year 2020 and the Pro Forma Debt Service Coverage Ratio (which includes YAI's Allocable Portion of the Series 2021 Bonds) are as follows:

	2020 Actual	**2020 Pro Forma**
Revenues	$203,360,638	$203,360,638
Expenses	203,288,000	203,288,000
Net Income (after adj.)	72,638	72,638
Less Nonoperating Revenue Items	0	0
Plus Nonoperating Expense Items	0	0
Plus Depreciation and Amortization	4,478,853	4,478,853
Plus Current Interest Expense	1,074,278	1,074,278
New PPA Revenues (unaudited)	0	362,206
Cash Flow for Debt Service	5,625,770	5,987,976
Maximum Annual Debt Service (unaudited)	3,617,919	3,980,125
Debt Service Coverage Ratio (DSCR)	1.5550	1.5045

Financials. Audited financial statements for YAI and its affiliates for the fiscal years ended June 30, 2018, June 30, 2019 and June 30, 2020 were audited by Marks Paneth, LLP and are attached as Appendix B-VII. Interim unaudited financial information for YAI only prepared by YAI's Management covering the period from July 1, 2020 through February 28, 2021 is attached as Appendix C-VII. Significant accounting policies are contained in the notes to the audited financial statements, as well as Consolidating Statements for YAI and its affiliates.

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Management's Summary of Financial Information and Results of Operations.

Summary of Financial information for Prior Five Fiscal Years — All Funds.

The following is a summary of financial information for YAI for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by YAI's Management and derived from YAI's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-VII; audited financial statements for the fiscal years ended June 30, 2017 and June 30, 2016 are available upon request. Note that only the operations of YAI are presented below, which results may differ from the reported figures in the audited financial statements respecting YAI and all its affiliates.

Fiscal Year Ended June 30,

	2016	**2017**	**2018**	**2019**	**2020**
Current Assets	$62,999,968	$65,618,161	$58,845,012	$70,255,198	$82,242,516
Net Fixed Assets	34,535,025	34,881,726	35,493,589	41,829,121	49,246,310
Other	4,624,395	2,352,081	2,651,718	2,632,962	2,870,580
Total	102,159,388	102,851,968	96,990,319	114,717,281	134,359,406
Current Liabilities	30,876,496	37,201,430	32,461,954	40,124,908	43,025,657
Other Liabilities	38,605,423	31,217,703	30,083,752	40,067,255	56,735,993
Net Assets	32,677,469	34,432,835	34,444,613	34,525,118	34,597,756
Total	102,159,388	102,851,968	96,990,319	114,717,281	134,359,406
Operating Revenue:					
Program Revenue	176,976,779	172,888,534	176,651,218	186,377,766	198,729,655
Nonprogram Revenue	2,112,526	1,272687	1,577,624	2,113,759	3,667,539
Total	179,089,305	174,161,221	178,228,842	188,491,525	202,397,194
Operating Expenses	171,409,335	172,405,855	178,217,064	188,304,087	202,895,582
Change in Net Assets from Operations	7,679,970	1,755,366	11,778	187,438	(498,388)
Non-Operating Changes	0	0	0	(106,933)	571,026
Net Assets, Beginning of Year	24,997,499	32,677,469	34,432,835	34,444,613	34,525,118
Net Assets, End of Year	32,677,469	34,432,835	34,444,613	34,525,118	34,597,756
Cash & Equivalents	13,100,241	18,585,550	14,315,782	9,068,076	5,705,678

Management Discussion of Results of Operations.

(1) Known Trends or Uncertainties Likely to Have an Impact on Liquidity: YAI is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on YAI's short-term or long-term liquidity.

(2) Sources of Liquidity: (a) Internal - YAI had current assets of $82,242,516 and $70,255,198 at the end of fiscal years 2020 and 2019, respectively, (b) External - YAI has available an $28 million working capital line of credit with Bank of America, N.A. and Israel Discount Bank of New York for operating expenses and a $14 million line of credit with Bank of America, N.A. and Israel Discount Bank of New York for acquisition and renovation of program sites.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: YAI is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on YAI's revenue or income.

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2020 and 2019 were $2,804,669 and $1,332,438, respectively. See Appendix C-VII for interim unaudited financial information through February 28, 2021.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenues of the program. The number of persons served by YAI's total operations have not materially increased or decreased in recent years.

Liquidity and Capital Resources. As of June 30, 2020 and June 30, 2019, YAI had $5,705,678 and $9,068,076 in unrestricted cash and cash equivalents and $34,942,038 and $26,537,970 in net accounts receivable, respectively.

As of February 28, 2021, YAI has available a $28 million working capital line of credit with Bank of America, N.A. and Israel Discount Bank of New York for operating expenses. The line of credit is secured by a lien on YAI's accounts receivable and all of its assets, which include Public Funds, and thus constitutes a Prior Pledge as to such funds**.** There was an outstanding balance of $24,270,133.40 as of February 28, 2021.

As of February 28, 2021, YAI has available a $14 million line of credit with Bank of America, N.A. and Israel Discount Bank of New York for the acquisition and renovation of program sites. Upon receipt of PPAs from New York State, the funds drawn down on this line are converted into notes secured by related real property and accounts, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was a collective balance of $13,301,163.74 on 5 outstanding notes as of February 28, 2021.

Long-Term Debt. As of June 30, 2020 and June 30, 2019, YAI had $54,074,087 and $39,108,803, respectively, in outstanding long-term indebtedness including mortgages, bonds and capital leases payable, some of which debt is secured by a security interest in YAI's Public Funds**.** See Note 7 of YAI's Audited Financial Statement for fiscal year ending June 30, 2020 under the title "Notes and Mortgages Payable." YAI incurred $6,515,000 in additional long-term debt subsequent to June 30, 2020. In addition, YAI applied for and closed on a loan in April 2021 in the amount of $10 million from the U.S. Small Business Administration pursuant to its Paycheck Protection Program (PPP); YAI anticipates using the PPP loan proceeds for the approved purposes and timely submitting appropriate documentation to qualify for full principal forgiveness of the PPP loan.

Prior Pledges. YAI's working capital line of credit for $28 million with Bank of America, N.A. and Israel Discount Bank of New York and line of credit for $14 million with Bank of America, N.A. and Israel Discount Bank of New York are secured by a lien on YAI's investment accounts, accounts receivable and real property, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of YAI's total outstanding long-term debt as of June 30, 2020 and June 30, 2019, $56,735,993 and $40,067,255 is secured by a security interest in certain receivables of and real properties owned by YAI, which may include YAI's Public Funds, and thus constitutes a Prior Pledge as to such funds. YAI's total Prior Pledges (including short term and long term debt) as of February 28, 2021 amount to $60,773,685.

Contingencies; Pending or Potential Litigation. According to YAI Management, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened to challenge the authority or ability of YAI to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might, in the opinion of YAI Management, materially adversely affect the ability of YAI to carry out the transactions contemplated in the Loan Agreement, the Mortgage, the Collateral Assignment of Leases and the Intercept Agreement.

Management.

Directors and Officers: The affairs of YAI are governed by a Board of Trustees of not less than five and up to fifty persons. The officers are comprised of: Jeffery Mordos, Chairman, David Stafford, Vice Chairman, and Kevin Hogan, Treasurer. Other members of the Board are Jeffrey Lieberman, Eliot Green, Richard Rosenbaum, John Rufer, Lewis Lindenberg, Holly Macdonald and Alina Ramos. A presence of at least seven members of the Board constitutes a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: George Contos is the Chief Executive Officer of YAI. Having served as YAI's Chairman of the Board of Trustees (2014), Co-Vice Chairman (2013), and Trustee (2012), Mr. Contos brings to the role an extensive knowledge of the organization's inner workings and infrastructure. Prior to becoming CEO, Mr. Contos was a wealth manager and registered investment advisor with New York-based Wealth Advisory Group and Park Avenue Securities. Formerly, as an attorney, Mr. Contos specialized in elder law, trust-based asset protection and Medicaid planning. Mr. Contos received his J.D. from Georgetown University Law Center, his B.A. from Tufts University and his Chartered Advisor in Philanthropy designation from The American College. YAI has several other key employees including Kevin Carey, Chief Financial Officer, and Ravi Dahiya, Chief Program Officer.

Continuing Disclosure.

As described in this paragraph, during the past five years, YAI failed to provide certain secondary market disclosure pursuant to Rule 15c2-12 in connection with its previous continuing disclosure undertakings. Such failures include (i) late filings of its audited financial statements and Annual Information with respect to its fiscal year ended June 30, 2018 and (ii) late filing of its audited financial statements with respect to its fiscal year ended June 30, 2020. YAI has adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF SERIES 2021 PARTICIPANTS

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APPENDIX B-I

CITIZENS OPTIONS UNLIMITED, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017)

AND

COMMUNITY SERVICES SUPPORT CORPORATION

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017)

AND

NASSAU COUNTY AHRC FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017)

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Citizens Options Unlimited, Inc. and Affiliate

Consolidating Financial Statements
Year Ended December 31, 2019

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Financial Statements
Year Ended December 31, 2019

Citizens Options Unlimited, Inc. and Affiliate

Contents

BDO

Tel: +212 885-8000
Fax: +212 697-1299
www.bdo.com

622 Third Avenue, 31st Floor
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Citizens Options Unlimited, Inc.
and Affiliate
Brookville, New York

We have audited the accompanying consolidating financial statements of Citizens Options Unlimited, Inc. and Affiliate, which comprise the consolidating statement of financial position as of December 31, 2019, and the related consolidating statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 these consolidating 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 consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating financial statements.

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

BDO

Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of Citizens Options Unlimited, Inc. and Affiliate as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidating financial statements of Citizens Options Unlimited, Inc. and Affiliate and our report, dated May 31, 2019, expressed an unmodified opinion on those audited consolidating financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidating financial statements from which it has been derived.

BDO USA, LLP

July 31, 2020

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Financial Position (with comparative totals for 2018)

December 31,	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total 2019	Total 2018
Assets					
Current					
Cash and cash equivalents	$ 6,256,073	$ 73,464	$ -	$ **6,329,537**	$ 4,794,567
Investments, at fair value	104,611	-	-	**104,611**	220,290
Accounts receivable, net	8,935,514	-	-	**8,935,514**	5,902,852
Due from Citizens Options Unlimited, Inc.	-	181,404	(181,404)	**-**	-
Prepaid expenses and other assets	296,629	307	-	**296,936**	278,295
Total Current Assets	15,592,827	255,175	(181,404)	**15,666,598**	11,196,004
Restricted Cash and Restricted Cash Equivalents	-	19,686	-	**19,686**	13,768
Deferred Charges	79,087	-	-	**79,087**	96,034
Finance Lease Right-of-Use Assets, Net	7,843,131	-	-	**7,843,131**	-
Assets Held for Specific Purpose	87,131	-	-	**87,131**	137,564
Fixed Assets, Net	4,138,768	2,733,100	-	**6,871,868**	6,599,508
Total Assets	$ 27,740,944	$ 3,007,961	$ (181,404)	$ **30,567,501**	$ 18,042,878
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	$ 1,351,598	$ 10,500	$ -	$ **1,362,098**	$ 627,085
Salaries payable, accrued payroll taxes and benefits	3,765,853	-	-	**3,765,853**	1,987,756
Due to non-controlled affiliated organizations	1,072,508	1,561,411	-	**2,633,919**	2,771,269
Due to controlled affiliated organization	181,404	-	(181,404)	**-**	-
Finance lease liabilities, current portion	976,133	-	-	**976,133**	-
Due to New York State OPWDD	1,552,352	-	-	**1,552,352**	473,459
Total Current Liabilities	8,899,848	1,571,911	(181,404)	**10,290,355**	5,859,569
Reserve for Potential Liabilities	3,818,614	-	-	**3,818,614**	2,787,334
Finance Lease Liabilities, net of current portion	6,775,897	-	-	**6,775,897**	-
Deferred Compensation Payable	87,131	-	-	**87,131**	137,564
Total Liabilities	19,581,490	1,571,911	(181,404)	**20,971,997**	8,784,467
Commitments and Contingencies					
Net Assets					
Without donor restrictions	7,696,477	39,650	-	**7,736,127**	7,598,332
With donor restrictions	462,977	1,396,400	-	**1,859,377**	1,660,079
Total Net Assets	8,159,454	1,436,050	-	**9,595,504**	9,258,411
Total Liabilities and Net Assets	$ 27,740,944	$ 3,007,961	$ (181,404)	$ **30,567,501**	$ 18,042,878

See accompanying notes to consolidating financial statements.

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Activities
(with comparative totals for 2018)

Year ended December 31,

	Citizens Options Unlimited, Inc.			Affiliate				Total	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	**2019**	2018
Revenue									
Program service revenue:									
Intermediate care facility	$ 27,114,195	$ -	$ 27,114,195	$ -	$ -	$ -	$ -	$ **27,114,195**	$ 18,779,941
Residential	15,925,470	-	15,925,470	-	-	-	-	**15,925,470**	14,094,301
Camp Loyaltown	5,243,786	-	5,243,786	-	-	-	-	**5,243,786**	4,920,879
Medicaid service coordination	-	-	-	-	-	-	-	**-**	1,051,166
Crisis respite	554,140	-	554,140	-	-	-	-	**554,140**	554,921
Family support	341,764	-	341,764	-	-	-	-	**341,764**	314,315
Self-direction	1,206,329	-	1,206,329	-	-	-	-	**1,206,329**	680,877
Total Program Service Revenue	50,385,684	-	50,385,684	-	-	-	-	**50,385,684**	40,396,400
Contributions	143,175	112,555	255,730	-	-	-	-	**255,730**	260,547
Rental income	-	-	-	88,696	-	88,696	(46,849)	**41,847**	52,876
Other revenue	-	-	-	67,136	-	67,136	(66,877)	**259**	19,628
Net assets released from restrictions	8,555	(8,555)	-	-	-	-	-	**-**	-
Total Revenue	50,537,414	104,000	50,641,414	155,832	-	155,832	(113,726)	**50,683,520**	40,729,451
Expenses									
Program services:									
Intermediate care facility	25,533,880	-	25,533,880	-	-	-	-	**25,533,880**	18,388,433
Residential	15,009,708	-	15,009,708	121,769	-	121,769	(113,726)	**15,017,751**	13,018,004
Camp Loyaltown	4,278,858	-	4,278,858	-	-	-	-	**4,278,858**	3,785,009
Medicaid service coordination	-	-	-	-	-	-	-	**-**	977,382
Crisis respite	647,218	-	647,218	-	-	-	-	**647,218**	748,932
Family support	393,006	-	393,006	-	-	-	-	**393,006**	367,818
Self-direction	1,296,681	-	1,296,681	-	-	-	-	**1,296,681**	696,116
Total Program Services Expenses	47,159,351	-	47,159,351	121,769	-	121,769	(113,726)	**47,167,394**	37,981,694
Supporting services:									
Management and general	3,273,289	-	3,273,289	10,671	-	10,671	-	**3,283,960**	2,433,165
Total Supporting Services Expenses	3,273,289	-	3,273,289	10,671	-	10,671	-	**3,283,960**	2,433,165
Total Expenses	50,432,640	-	50,432,640	132,440	-	132,440	(113,726)	**50,451,354**	40,414,859
Change in Net Assets, before investment income, net, and transfer of assets	104,774	104,000	208,774	23,392	-	23,392	-	**232,166**	314,592
Investment Income, Net	9,629	-	9,629	-	-	-	-	**9,629**	23,296
Change in Net Assets, before transfer of assets	114,403	104,000	218,403	23,392	-	23,392	-	**241,795**	337,888
Transfer of Assets	-	95,298	95,298	-	-	-	-	**95,298**	-
Change in Net Assets	114,403	199,298	313,701	23,392	-	23,392	-	**337,093**	337,888
Net Assets, beginning of year	7,582,074	263,679	7,845,753	16,258	1,396,400	1,412,658	-	**9,258,411**	8,920,523
Net Assets, end of year	$ 7,696,477	$ 462,977	$ 8,159,454	$ 39,650	$ 1,396,400	$ 1,436,050	$ -	**$ 9,595,504**	$ 9,258,411

See accompanying notes to consolidating financial statements.

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Functional Expenses
(with comparative totals for 2018)

Year ended December 31,

	Program Services								Supporting Services				Total	
	Intermediate Care Facility	Residential	Camp Loyaltown	Crisis Respite	Family Support	Self-Direction	Affiliate	Total Program Services	Management and General	Affiliate	Total Supporting Services	Eliminations	**2019**	2018
Salaries	$ 14,819,791	$ 8,766,457	$ 1,526,162	$ 333,517	$ 124,171	$ 472,341	$ 5,000	$ 26,047,439	$ -	$ -	$ -	$ -	**$26,047,439**	$ 21,733,875
Payroll taxes	1,726,849	1,021,668	180,474	38,979	14,642	55,689	383	3,038,684	-	-	-	-	**3,038,684**	2,495,537
Employee health and retirement benefits	2,773,308	1,655,872	288,042	63,202	23,509	89,418	-	4,893,351	-	-	-	-	**4,893,351**	4,129,054
Total Personnel Services	19,319,948	11,443,997	1,994,678	435,698	162,322	617,448	5,383	33,979,474	-	-	-	-	**33,979,474**	28,358,466
Other Expenses														
Professional fees and contracted services	1,377,788	655,542	536,846	32,348	46,778	207,504	-	2,856,806	246,791	1,887	248,678	-	**3,105,484**	1,068,266
Utilities	220,289	170,016	111,517	12,322	1,518	20,845	19,278	555,785	-	-	-	-	**555,785**	513,999
Transportation	155,896	132,143	115,326	4,008	5,576	36,396	-	449,345	-	-	-	-	**449,345**	327,282
Staff travel	20,629	18,538	28,171	274	340	3,612	-	71,564	-	-	-	-	**71,564**	73,773
Repairs and maintenance	425,113	301,243	198,364	12,029	3,644	16,549	28,397	985,339	-	-	-	-	**985,339**	791,774
Equipment purchases	158,542	120,307	47,235	3,940	147	669	-	330,840	-	-	-	-	**330,840**	184,990
Supplies	580,986	264,351	138,396	8,931	2,679	4,389	-	999,732	-	-	-	-	**999,732**	721,332
Participant incidentals	223,079	87,020	132,296	1,561	56,853	12,448	-	513,257	-	-	-	-	**513,257**	348,054
Food	352,779	328,776	303,060	16,962	5,273	603	-	1,007,453	-	-	-	-	**1,007,453**	811,147
Rent and lease expense	419,465	357,699	352,147	11,070	808	339,051	-	1,480,240	-	-	-	(113,726)	**1,366,514**	2,642,980
Recruiting and staff development	88,851	52,774	91,329	2,670	1,374	4,988	-	241,986	-	-	-	-	**241,986**	196,225
Fees, licenses and permits	11,817	8,911	5,867	92	100,861	321	288	128,157	86,284	-	86,284	-	**214,441**	207,754
NYS health facility assessment	1,418,174	-	-	-	-	-	-	1,418,174	-	-	-	-	**1,418,174**	993,461
Insurance	233,912	186,968	57,129	10,029	3,822	16,613	4,977	513,450	-	-	-	-	**513,450**	470,874
Management fee	-	-	-	-	-	-	-	-	2,940,214	8,784	2,948,998	-	**2,948,998**	2,150,000
Depreciation and amortization	469,130	627,634	143,509	58,979	686	8,210	63,446	1,371,594	-	-	-	-	**1,371,594**	482,535
Interest	48,913	246,660	3,725	36,140	195	3,716	-	339,349	-	-	-	-	**339,349**	-
Miscellaneous	8,569	7,129	19,263	165	130	3,319	-	38,575	-	-	-	-	**38,575**	71,947
Total Expenses	$ 25,533,880	$ 15,009,708	$ 4,278,858	$ 647,218	$ 393,006	$ 1,296,681	$ 121,769	$ 47,281,120	$ 3,273,289	$ 10,671	$ 3,283,960	$ (113,726)	**$50,451,354**	$ 40,414,859

See accompanying notes to consolidating financial statements.

Consolidating Statement of Cash Flows
(with comparative totals for 2018)

Year ended December 31,	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total 2019	Total 2018
Cash Flows from Operating Activities					
Change in net assets	$ 313,701	$ 23,392	$ -	$ **337,093**	$ 337,888
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,308,148	63,446	-	**1,371,594**	482,535
Realized loss on investments	1,537	-	-	**1,537**	2,742
Unrealized (gain) loss on investments	(652)	-	-	**(652)**	3,806
Forgiveness of debt	-	(66,877)	66,877	**-**	-
(Increase) decrease in assets:					
Accounts receivable	(3,235,675)	203,013	-	**(3,032,662)**	(1,251,569)
Prepaid expenses and other assets	(18,631)	(10)	-	**(18,641)**	(112,824)
Due from Citizens Options Unlimited, Inc.	-	(155,592)	155,592	**-**	-
Deferred charges	16,947	-	-	**16,947**	16,947
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	764,517	(29,504)	-	**735,013**	(737,390)
Salaries payable, accrued payroll taxes and benefits	1,778,097	-	-	**1,778,097**	(110,265)
Due to non-controlled affiliated organizations	(10,473)	(126,877)	-	**(137,350)**	1,525,206
Due to controlled affiliated organization	155,592	-	(155,592)	**-**	-
Due to Citizens Options Unlimited, Inc.	-	66,877	(66,877)	**-**	-
Due to New York State OPWDD	1,078,893	-	-	**1,078,893**	284,306
Reserve for potential liabilities	1,031,280	-	-	**1,031,280**	1,604,978
Net Cash Provided by (Used in) Operating Activities	3,183,281	(22,132)	-	**3,161,149**	2,046,360
Cash Flows from Investing Activities					
Purchases of fixed assets	(767,051)	-	-	**(767,051)**	(302,192)
Purchases of investments	-	-	-	**-**	(264,825)
Proceeds from sale of investments	114,794	-	-	**114,794**	518,958
Net Cash Used in Investing Activities	(652,257)	-	-	**(652,257)**	(48,059)
Cash Flows from Financing Activities					
Repayments of finance lease liabilities	(968,004)	-	-	**(968,004)**	-
Increase (Decrease) in Cash and Cash Equivalents	1,563,020	(22,132)	-	**1,540,888**	1,998,301
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, beginning of year	4,693,053	115,282	-	**4,808,335**	2,810,034
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, end of year	$ 6,256,073	$ 93,150	$ -	$ **6,349,223**	$ 4,808,335
Supplemental Disclosure of Cash Flow Information					
Acquisition of property through finance leases	$ 8,720,034	$ -	$ -	$ **8,720,034**	$ -
Cash paid for taxes	6,700	-	-	**6,700**	-
Cash paid for interest	339,349	-	-	**339,349**	-

See accompanying notes to consolidating financial statements.

Notes to Consolidating Financial Statements

1. Description of Organization

Citizens Options Unlimited, Inc. (Citizens Options) provides individualized residential alternative services (IRA), residential respite services, intermediate care facility services (ICF) and family support services for individuals with intellectual and other developmental disabilities. Additionally, Citizens Options operates Camp Loyaltown in Hunter, New York, a respite program providing services to developmentally disabled children and adults. Citizens Options is governed by its own Board of Directors, which is responsible for its operations. Citizens Options is supported primarily by service fees paid by various New York State and local government agencies. Effective July 20, 2019, Citizens Options assumed program operations, via a change in auspice, with annual revenue of approximately $18 million from another agency consisting of one ICF in Shoreham, New York. Citizens Options continually pursues growth opportunities to expand its program services.

The Nassau County AHRC Foundation, Inc. (the Foundation) is the sole member of Citizens Options. Accordingly, members of the Foundation's Board of Directors have authority to approve changes to Citizens Options' by-laws and may elect members of its Board of Directors. Citizens Options is affiliated with Community Services Support Corporation (CSSC), Brookville Center for Children's Services, Inc. (BCCS), Life Care Data Exchange, LLC (LCDX), and Metropolitan Community Partners, Inc. (MCP). The Foundation is also the sole member of CSSC, BCCS, LCDX and MCP. CSSC holds title to and maintains properties for various programs, such as residential facilities for the developmentally disabled. Citizens Options' programs utilize various facilities and residential sites owned by CSSC. See Note 16 for more information regarding leases with CSSC.

MRCS V, Inc. (MRCS V) is a not-for-profit organization. Its purpose is to operate and maintain two residences, located in Commack and Greenlawn, New York, for 12 developmentally disabled adults. MRCS V became operational in September 2016. Funding is derived primarily from rental fees paid by tenants and the United States Department of Housing and Urban Development (HUD) under Section 811 of the National Affordable Housing Act, Supportive Housing for Persons with Disabilities.

2. Principles of Consolidation

The accompanying consolidating financial statements include the accounts of Citizens Options and MRCS V (collectively, Citizens). Citizens Options is the sole member of MRCS V and appoints the Board of Directors of MRCS V. All material intercompany transactions and balances have been eliminated in the consolidating financial statements.

3. Summary of Significant Accounting Policies

Basis of Presentation

The consolidating financial statements have been prepared on the accrual basis of accounting. In the consolidating statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses are based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets—with donor restrictions and without donor restrictions—be reported in a statement of financial position and that the amounts of change in each of those classes of net assets be reported in a statement of activities.

These classes are defined as follows:

Without Donor Restrictions – This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of Citizens.

With Donor Restrictions – This class consists of net assets whose use is limited by donor-imposed, time and/or purpose restrictions. Citizens reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restriction and reported in the consolidating statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting Citizens to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy. As of December 31, 2019, Citizens has net assets with donor restrictions held in perpetuity of $95,298. See Note 15 for further discussion of net assets with donor restrictions held in perpetuity.

Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash” (ASU 2016-18). ASU 2016-18 requires entities to show the changes in the total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the consolidating statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2018. Citizens has adopted this ASU for the year ended December 31, 2019.

For purposes of the consolidating statement of cash flows, Citizens considers all highly liquid investments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

MRCS V maintains replacement reserve accounts, as required by HUD, for future repairs and maintenance. Distributions may be made from the reserve account only upon approval by HUD. As of December 31, 2019, the funds were invested in interest-bearing savings accounts. These restricted deposits and funded reserves have been included in restricted cash and restricted cash equivalents on the consolidating statement of financial position.

Cash, cash equivalents, restricted cash and restricted cash equivalents consist of the following:

December 31, 2019		
Cash and cash equivalents	$	6,329,537
Restricted cash and restricted cash equivalents		19,686
Total	$	6,349,223

Fair Value Measurement

Accounting Standards Codification (ASC) 820, “Fair Value Measurement,” establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are those that market participants operating within the same marketplace as Citizens would use in pricing Citizens’ asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of Citizens are traded. Citizens estimates the price of any asset or liability for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets or liabilities would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 – Valuations are based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations are based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Valuations are based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value.

Investments, at Fair Value

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the consolidating statement of activities as increases or decreases in net assets without donor restrictions.

Accounts Receivable, Net

Accounts receivable, net, are recorded at the reimbursable amount and do not bear interest. In evaluating the collectability of accounts receivable, Citizens analyzes its past history and identifies trends for each of its major payor sources to estimate the appropriate allowance for credit losses and provision for bad debts. Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for credit losses. Actual results could differ from those estimates.

Fixed Assets, Net

Fixed assets, net, are recorded at cost, less accumulated depreciation. Citizens capitalizes fixed assets that have a cost of $5,000 or more and useful life of more than a year. Depreciation and amortization is computed over the estimated useful lives of the assets by the straight-line method for financial reporting, as follows:

Building and leasehold improvements	5 - 25 years
Equipment	3 - 25 years

Leasehold improvements are amortized over the shorter of their useful lives or the remainder of the lease period.

Fixed assets purchased in starting up certain Medicaid-funded programs are funded up to approved amounts by the New York State Office for People with Developmental Disabilities (OPWDD) over a 60-month period, in accordance with a rate notice issued by OPWDD. The amortization of fixed assets is consistent with the funding period. Citizens records a deferred charge equal to the net future reimbursement it expects to realize in the operation of its programs. The deferred charge is amortized over the period of reimbursement. Citizens expenses all non-reimbursable start-up costs.

Impairment of Long-Lived Assets

Citizens reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2019, there has been no such losses.

Revenue Recognition

Program Service Fees

Program service fee revenue is generated from services to individuals with developmental disabilities, mental health services, as well as other services. These amounts are due from third-party payors (including government programs and health insurers), and others, and includes an estimate for variable consideration for retroactive revenue adjustments due to rate changes, settlement of audits and disallowances, reviews and investigations. Generally, Citizens submits per-diem claims to third-party payors electronically through a state-wide system several days after the services are performed.

Revenue is recognized as performance obligations are satisfied over time based on actual charges incurred in relation to total expected (or actual) charges. Citizens measures revenue from the commencement of services, to the continuation of services, and until services are no longer required. Citizens believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

As substantially all of its performance obligations relate to established rate agreements with a duration of less than one year, Citizens has elected, as part of their adoption of the revenue standard, to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Throughout the year, rates may vary as determined by New York state, and Citizens will record additional revenue resulting from a rate increase and record a reduction of revenue with a rate decrease. These rate adjustments represent variable consideration in the form of explicit or implicit price concessions and Citizens considers these amounts in determination of the transaction price. Citizens determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. Citizens determines its estimates of explicit or implicit price concessions based on its historical collection experience.

Laws and regulations governing Medicaid programs are 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. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from Medicaid programs. Citizens is not aware of any allegations of noncompliance that could have a material adverse effect on the accompanying consolidating financial statements and believes that it is in compliance with all applicable laws and regulations.

As a practical expedient, Citizens utilizes the portfolio approach for analyzing the revenue contracts in accordance with ASC 606. Citizens accounts for the contracts within each portfolio collectively, rather than individually, based on each revenue stream. Citizens considers the similar nature and characteristics of the contract and customers in using the portfolio approach. Citizens believes that the use of the portfolio approach to analyze contracts will not differ materially than if the contracts were analyzed individually.

The following table shows the Citizens program service fee revenue disaggregated by payor:

Year ended December 31, 2019	
Medicaid	$ 28,816,418
Third party payor	16,459,753
OPWDD	1,819,325
Private pay	1,342,628
Social Security Administration	1,267,572
Other	679,988
	$ 50,385,684

Contributions

Contributions and promises to give are recorded as revenue at the time they are made or pledged unconditionally and supported by a written commitment. Contributions are classified as either with or without donor restrictions. Contributions are nonexchange transactions in which no commensurate value is exchanged. Therefore, contributions fall under the purview of ASC Topic 958 “Not-for-Profit Entities.”

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Rental Income

MRCS V's revenue is derived principally from the renting of apartments under one-year operating leases to eligible, very low-income individuals. Tenant rental fees are supplemented by tenant assistance payments from HUD under a Housing Assistance Payment Contract, which is renewed annually. Rental income for MRCS V is recognized as earned and when housing is provided to individuals each month.

Functional Allocation of Expenses

The majority of expenses can generally be directly identified with program or supporting services to which they relate and are allocated accordingly. Other expenses have been allocated among program and supporting service classifications. These expenses include depreciation and amortization, utilities, information technology and facilities operations and maintenance. Depreciation and amortization is allocated based on square footage and interest expense is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort.

Endowment

Citizens follows the provisions of ASC 958, "Not-for-Profit Entities", related to enhanced disclosures for all endowment funds. Citizens has also adopted provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA), which was enacted by the state of New York on September 17, 2010. Specifically, Citizens classifies the portion of endowment funds that is not classified as with donor restrictions (time-restricted) until appropriated for expenditure by Citizens. If the endowment fund is also subject to a purpose restriction, the reclassification of the appropriated amount to without donor restrictions does not occur until the purpose restriction also has been met.

Concentration of Credit Risk

Financial instruments that potentially subject Citizens to concentration of credit risk consist primarily of cash and cash equivalents. At times, Citizens has cash deposits at financial institutions that exceed the Federal Deposit Insurance Corporation insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Use of Estimates

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

Citizens Options Unlimited, Inc. and Affiliate

Notes to Consolidating Financial Statements

Income Taxes

Citizens is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and as a not-for-profit organization under the laws of New York state. Accordingly, no provision for federal or state income taxes is required. There was no unrelated business income from an unrelated trade or business for 2019.

Citizens adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on consolidating Citizens' financial statements. Citizens does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. Citizens has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, Citizens has filed Internal Revenue Service (IRS) form 990, tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2019, there was no interest or penalties recorded or included in the consolidating statement of activities. Citizens is subject to routine audits by taxing authorities. As of December 31, 2019, Citizens was not subject to any examination by a taxing authority.

Comparative Financial Information

The consolidating financial statements include certain prior-year summarized comparative information. With respect to the consolidating statement of financial position and consolidating statement of activities, the prior-year information is presented in total, not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Citizens' consolidating financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Risks and Uncertainties

Citizens Options' investments are concentrated in government securities. Such securities are subject to various risks that determine the value of the funds. Due to the level of risk associated with certain government securities and the level of uncertainty related to changes in the value of these securities, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the consolidating financial statements.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The standard was adopted by Citizens in the year ended December 31, 2019.

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability for future lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for Citizens for fiscal years beginning after December 15, 2018. The standard was adopted by Citizens in the year ended December 31, 2019, using the modified retrospective approach. See Note 16 for the impact of the adoption on the consolidating financial statements.

In June 2018, the FASB issued ASU No. 2018-08, "Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether Citizens follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for Citizens for fiscal years beginning after June 15, 2018. The standard was adopted by Citizens in the year ended December 31, 2019.

Reclassifications

Certain reclassifications have been made to the 2018 consolidating financial statements in order to conform to the 2019 presentation.

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Citizens Options Unlimited, Inc. and Affiliate
Notes to Consolidating Financial Statements

4. Liquidity and Availability of Resources

Citizens' financial assets available within one year of the consolidating statements of financial position date for general expenditures are as follows:

Year ended December 31, 2019

	Citizens Options Unlimited, Inc.	Affiliates	Eliminations	Total
Total Current Assets	$ 15,592,827	$ 255,175	$ (181,404)	$ 15,666,598
Less: amounts unavailable for general expenditures within one year, due to:				
Prepaid expenses and other current assets	(296,629)	(307)	-	(296,936)
Restricted by donor with time or purpose restrictions	(462,977)	(1,396,400)	-	(1,859,377)
Total Financial Assets Available to Management for General Expenditure Within One Year	$ 14,833,221	$ (1,141,532)	$ (181,404)	$ 13,510,285

Liquidity Management

As part of Citizens' liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management continually evaluates the timing of estimated collections of accounts receivable and manages cash disbursement to ensure the availability of cash to meet its operating needs. Additionally, Citizens has an available $2.0 million line of credit. As the sole member of Citizens Options, the Foundation is capable of supporting Citizens Options' additional cash flow requirements.

5. Investments, at Fair Value

Citizens Options' investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 3 for a discussion of Citizens Options' policies regarding this hierarchy.

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Citizens Options' assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

A description of the valuation techniques applied to Citizens Options' assets measured at fair value are as follows:

Government Securities - These investments are priced by the investment managers using nationally recognized pricing services. These investments are classified as Level 2.

Investments, at fair value are as follows:

December 31, 2019

Description	Fair Value Measurement at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance
Government securities	$ -	$ 104,611	$ -	$ 104,611
	$ -	$ 104,611	$ -	$ 104,611

There have been no changes in the methodologies used at December 31, 2019. There were no transfers between levels during the year ended December 31, 2019.

Investment income, net, is as follows:

Year ended December 31, 2019

Interest and dividends	$ 11,526
Unrealized gain	652
Realized loss	(1,537)
Direct investment expenses	(1,012)
	$ 9,629

6. Accounts Receivable, Net

Accounts receivable, net, consists of the following:

December 31, 2019

	Citizens Options Unlimited, Inc.	Affiliate	Total
Intermediate care facility	$ 5,055,329	$ -	$ 5,055,329
Residential	2,646,878	-	2,646,878
Camp Loyaltown	770,505	-	770,505
Crisis respite	114,948	-	114,948
Family support	143,764	-	143,764
Self-direction	251,442	-	251,442
	8,982,866	-	8,982,866
Less: allowance for doubtful accounts	(47,352)	-	(47,352)
	$ 8,935,514	$ -	$ 8,935,514

7. Assets Held for Specific Purpose

Citizens Options maintains a non-qualified 457(b) deferred compensation plan (the Plan) for certain employees. Pursuant to the Plan agreement, the Plan's assets are considered general assets of Citizens Options until the assets are distributed to the respective beneficiaries. As a result, the Plan's net assets available for benefits of $87,131 as of December 31, 2019 are classified as assets held for specific purposes and deferred compensation payable in the consolidating statement of financial position.

8. Fixed Assets, Net

Fixed assets, net, consists of the following:

December 31, 2019

	Citizens Options Unlimited, Inc.	Affiliate	Total
Land	$ -	$ 600,000	$ 600,000
Buildings and leasehold improvements	4,315,813	2,329,026	6,644,839
Equipment	2,166,990	26,106	2,193,096
	6,482,803	2,955,132	9,437,935
Less: accumulated depreciation and amortization	(2,344,035)	(222,032)	(2,566,067)
	$ 4,138,768	$ 2,733,100	$ 6,871,868

Depreciation and amortization expense for the year ended December 31, 2019 related to fixed assets was $494,691.

9. Due to Non-Controlled Affiliated Organizations

Certain administrative services are provided by NYSARC, Inc. – Nassau County Chapter (AHRC Nassau), a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which Citizens incurred management fees of approximately $2,949,000 for the year ended December 31, 2019. Payments are made to AHRC Nassau throughout the year. The remaining amounts payable to AHRC Nassau are included in due to non-controlled affiliated organizations in the consolidating statement of financial position.

10. Capital Advance from HUD

MRCS V has a Capital Advance/Building Loan Agreement with HUD under Section 811 of the National Affordable Housing Act aggregating $1,396,400, with which they purchased and renovated community residences to provide housing for persons with disabilities.

The Capital Advance/Building Loan bears no interest and is not required to be repaid, so long as the housing remains available to eligible, very low-income households for a period of 40 years. This advance is recorded as net assets with donor restrictions (see Note 14).

11. Line of Credit

As of December 31, 2019, Citizens Options has an unsecured revolving bank line of credit under which a maximum amount of $2 million can be borrowed. The line of credit agreement requires that Citizens Options comply with certain financial covenants. Citizens Options was in compliance with its financial covenants as of December 31, 2019. The line of credit bears interest at the prevailing prime rate (such rate being 4.75% at December 31, 2019). There were no amounts borrowed under the line of credit and no interest expense incurred for the year ended December 31, 2019. The agreement expires on December 8, 2020 and may be renewed with the bank's approval.

12. Retirement Expense

A defined contribution plan, as defined by IRC Section 403(b), is offered to all employees who have attained the age of 20½ years, completed six months of service at the beginning of the contribution period, and have 1,000 hours of credited service. Annual employer contributions to the plan represented 4% of total eligible salaries for all employees covered. Retirement expense for the year ended December 31, 2019 was approximately $639,000 and has been accrued as part of salaries payable, accrued payroll taxes and benefits on the consolidating statement of financial position.

13. Due to New York State OPWDD

Citizens Options has entered into various contracts with OPWDD for the operation of various programs. As part of the agreements, OPWDD advanced funds for preoperational start-up costs, equipment, renovations, lease costs, real estate taxes and operations. Citizens Options has agreed to repay OPWDD all of the above funds to the extent that such costs are reimbursed by Medicaid.

14. Reserve for Potential Liabilities

Revenues and receivables from government funded programs are subject to review and final determination of realizable rates by various regulatory agencies. Management has estimated a reserve for potential liabilities of approximately $3,819,000 as of December 31, 2019.

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Citizens Options Unlimited, Inc. and Affiliate

Notes to Consolidating Financial Statements

15. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

December 31, 2019

	Citizens Options Unlimited, Inc.	Affiliate	Total
Subject to expenditure for specified purpose or period:			
HUD time restrictions	$ -	$ 1,396,400	$ 1,396,400
Camp Loyaltown general purposes	268,608	-	268,608
ICF services	21,855	-	21,855
Other	77,216	-	77,216
Total Subject to Expenditure for Specified Purpose or Period	367,679	1,396,400	1,764,079
Endowments subject to spending policy and appropriation, which, once appropriated, is expendable to support:			
Shoreham ICF Grounds Maintenance	95,298	-	95,298
Total Endowments Subject to Spending Policy and Appropriation	95,298	-	95,298
Total Net Assets with Donor Restrictions	$ 462,977	$ 1,396,400	$ 1,859,377

Income earned on net assets with donor restrictions is expendable to support operations, unless otherwise specified by the donor.

Net assets were released for the following purposes:

December 31, 2019

	Citizens Options Unlimited, Inc.	Affiliate	Total
Camp Loyaltown general purposes	$ 8,123	$ -	$ 8,123
Other	432	-	432
	$ 8,555	$ -	$ 8,555

16. Endowment

Citizens Options received $95,298 as a transfer of assets for the Shoreham ICF Grounds Maintenance Endowment Fund as part of the change in auspice discussed in Note 1. The endowment consists of cash that is donor-restricted in perpetuity. In accordance with the requirements under ASC 958, the following applies to the donor-restricted endowment funds:

Interpretation of Relevant Law - The spending of endowment funds by a not-for-profit corporation in the State of New York was governed by the Uniform Management of Institutional Funds Act (UMIFA), as enacted in 1978, until September 17, 2010, when the state of New York enacted the NYPMIFA. Citizens has interpreted NYPMIFA as requiring the preservation of the original value of a gift for gifts received prior to September 17, 2010, absent donor stipulations to the contrary, and for post-September 17, 2010 gifts, as allowing Citizens to appropriate for expenditure or accumulate earnings as Citizens determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, Citizens has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Citizens.

Investment and Spending Policies - Citizens has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various branches while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that Citizens must hold in perpetuity and are currently held in cash.

In accordance with NYPMIFA, Citizens considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds.
- The purposes of Citizens and the donor-restricted endowment funds.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation/depreciation of investments.
- Other resources of Citizens.
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on Citizens.
- The investment policy of Citizens.

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Citizens Options Unlimited, Inc. and Affiliate

Notes to Consolidating Financial Statements

The following represents the composition of endowment net assets by fund type:

December 31, 2019

	With Donor Restrictions	Total
Endowment funds	$ 95,298	$ 95,298

The change in endowment net assets was as follows:

Year ended December 31, 2019

	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	$ -	$ -
Transfer of assets	95,298	95,298
Endowment Net Assets, end of year	$ 95,298	$ 95,298

Endowment assets consist of cash. There are no underwater endowments as of December 31, 2019.

17. Leases

As noted in Note 3, Citizens adopted ASU 2016-02, “Leases” (Topic 842), for the year ended December 31, 2019. As part of its adoption, Citizens elected the practical expedient that permits an entity to not reassess whether expired or existing contracts contain leases. Additionally, Citizens has elected to not recognize leases with terms of 12 months or less on the balance sheet. Rent expense for leases with terms of 12 months or less was approximately $1,367,000 for the year ended December 31, 2019 and is included in the consolidating statement of functional expenses. Additionally, rental income for leases with terms of 12 months or less was approximately $42,000 for the year ended December 31, 2019 and is included in the consolidating statement of activities.

Finance lease right-of-use assets and finance lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the lease commencement date. Finance lease right-of-use assets are depreciated on the straight-line method over the life of the payment terms of the lease.

Finance Leases - Lessee

Citizens leases various buildings and vehicles under finance leases. These leases are deemed to be finance leases under ASC 842. In 2019, Citizens recorded finance lease right-of-use assets of $7,843,131 and finance lease liabilities of $7,752,030 in the consolidating statement of financial position.

The leases are for various durations through December 31, 2068. The leases require monthly payments of principal and interest at rates ranging from 3.25% to 4.75% per annum. Interest rates are based on rates that were explicitly stated in the lease agreement. In the event an interest rate is not explicitly stated in the lease agreement, Citizens used the incremental borrowing rate based on the information available at the lease inception date in determining the present value of future payments. The incremental borrowing rate is defined as interest Citizens would pay to borrow on a collateralized basis. The following is a schedule of future minimum lease payments, including interest, under the term of the leases, together with the present value of the net minimum lease payments, as of December 31, 2019:

Year ending December 31,		
2020	$	1,281,354
2021		1,240,674
2022		1,092,265
2023		839,640
2024		662,210
Thereafter		5,325,851
Total Minimum Lease Payments		10,441,994
Less: amounts representing interest		(2,689,964)
Present Value of Net Minimum Lease Payments		7,752,030
Less: current portion		(976,133)
	$	6,775,897

Depreciation expense for the year ended December 31, 2019 on the finance lease right-of-use assets totaled $876,903 and is included as a component of depreciation and amortization expense on the consolidating statement of functional expenses. Interest expense for the year ended December 31, 2019 related to finance leases payable was $339,349 and is included on the consolidating statement of functional expenses.

Leases with CSSC - Lessee

Citizens rents various facilities and residential sites from CSSC. These leases are deemed to be finance leases under ASC 842 and are included with the finance leases listed above. For the year ended December 31, 2019, the portion of finance leases between Citizens and CSSC included above, which have been recorded as finance lease right-of-use assets, totaled $7,505,375 and finance lease liabilities totaled $7,404,714.

18. Commitments and Contingencies

Legal Matters

Citizens is a party to certain routine legal actions and complaints arising in the ordinary course of business. Management is unable to determine at this time the likelihood of the outcomes. In the opinion of management, all such matters are adequately covered by insurance.

HUD Contingencies

MRCS V receives certain of its funding from HUD. Continuation of such funding is dependent on budgetary allocations from HUD. Such funding is subject to change and may have an effect on operations. Further, reimbursements under contracts are subject to audit by HUD on a regular basis. Liabilities, if any, resulting from these audits, are not presently determinable.

Pursuant to certain contractual obligations, MRCS V must operate the sites as residential facilities for the developmentally disabled for a period of 40 years through 2056 from the date of construction, which began in 2016. In addition, the status of ownership must remain the same for this period.

Guarantees of Non-Controlled Affiliated Organizations Obligations

Citizens Options unconditionally guarantees separate line of credit agreements for CSSC and BCCS in the amounts of $5 million and $2 million, respectively. At December 31, 2019, there was approximately $1,500,000 outstanding under the BCCS line of credit and there was approximately $3,646,000 outstanding under the CSSC line of credit. At December 31, 2019, there was no default of the terms of these agreements.

19. Subsequent Events

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on Citizens' financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, Citizens is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition and liquidity for 2020. If the pandemic continues, it may have an adverse effect on Citizens' results of future operations, financial condition and liquidity in 2020.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans (EIDL) to provide liquidity to small businesses harmed by the COVID-19 outbreak. Citizens has not applied for or received any funding from the SBA PPP or EIDL.

Citizens' Board of Directors approved Citizens taking advantage of a provision of the CARES Act which allows for employers to delay payment of its 50% portion of the aggregate 12.4% Old-Age, Survivors and Disability Insurance program tax (Social Security tax). Citizens must continue, as before, to timely withhold from the pay of each employee, and deposit with the IRS, the employee's share of the Social Security tax. The payment of the employer portion of the Social Security tax for 2020 may be remitted to the IRS in two equal installments, with 50% of the deferred amount due by December 31, 2021 and the remainder by December 31, 2022.

Management continues to examine the impact that the CARES Act may have on its business. Management currently is unable to determine the impact that the CARES Act will have on the financial condition, results of operation, or liquidity.

Citizens Options has evaluated subsequent events through July 31, 2020, the date the consolidating financial statements were available for issuance. There were no subsequent events, other than those mentioned above, requiring adjustments to the consolidating financial statements or disclosures as stated herein.

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Citizens Options Unlimited, Inc. and Affiliate

Consolidating Financial Statements
Year Ended December 31, 2018

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Financial Statements
Year Ended December 31, 2018

Citizens Options Unlimited, Inc. and Affiliate

Contents

BDO

Tel: +212 885-8000
Fax: +212 697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Citizens Options Unlimited, Inc.
and Affiliate
Brookville, New York

We have audited the accompanying consolidating financial statements of Citizens Options Unlimited, Inc. and Affiliate, which comprise the consolidating statement of financial position as of December 31, 2018, and the related consolidating statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 these consolidating 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 consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating financial statements.

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

BDO

Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of Citizens Options Unlimited, Inc. and Affiliate as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidating financial statements of Citizens Options Unlimited, Inc. and Affiliate and our report, dated May 31, 2018, expressed an unmodified opinion on those audited consolidating financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidating financial statements from which it has been derived.

BDO USA, LLP

May 31, 2019

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Financial Position (with comparative totals for 2017)

December 31,	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total 2018	Total 2017
Assets					
Current					
Cash and cash equivalents	$ 4,646,419	$ 115,282	$ -	**$ 4,761,701**	$ 2,810,034
Investments, at fair value	266,924	-	-	**266,924**	480,971
Accounts receivable, net	5,699,839	203,013	-	**5,902,852**	4,651,283
Due from Citizens Options Unlimited, Inc.	-	25,812	(25,812)	**-**	-
Prepaid expenses and other assets	277,998	297	-	**278,295**	165,471
Total Current Assets	10,891,180	344,404	(25,812)	**11,209,772**	8,107,759
Deferred Charges	96,034	-	-	**96,034**	112,981
Fixed Assets, Net	3,802,962	2,796,546	-	**6,599,508**	6,779,851
Total Assets	$ 14,790,176	$ 3,140,950	$ (25,812)	**$ 17,905,314**	$ 15,000,591
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	$ 587,081	$ 40,004	$ -	**$ 627,085**	$ 1,364,475
Salaries payable, accrued payroll taxes and benefits	1,987,756	-	-	**1,987,756**	2,098,021
Due to non-controlled affiliated organizations	1,082,981	1,688,288	-	**2,771,269**	1,246,063
Due to controlled affiliated organization	25,812	-	(25,812)	**-**	-
Due to New York State OPWDD	473,459	-	-	**473,459**	189,153
Total Current Liabilities	4,157,089	1,728,292	(25,812)	**5,859,569**	4,897,712
Reserve for Potential Liabilities	2,787,334	-	-	**2,787,334**	1,182,356
Total Liabilities	6,944,423	1,728,292	(25,812)	**8,646,903**	6,080,068
Commitments and Contingencies					
Net Assets					
Without donor restrictions	7,582,074	16,258	-	**7,598,332**	5,738,080
With donor restrictions	263,679	1,396,400	-	**1,660,079**	3,182,443
Total Net Assets	7,845,753	1,412,658	-	**9,258,411**	8,920,523
Total Liabilities and Net Assets	$ 14,790,176	$ 3,140,950	$ (25,812)	**$ 17,905,314**	$ 15,000,591

See accompanying notes to consolidating financial statements.

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Activities
(with comparative totals for 2017)

Year ended December 31,

	Citizens Options Unlimited, Inc.			Affiliate				Total	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	**2018**	2017
Revenue									
Program service revenue:									
Intermediate care facility	$ 18,779,941	$ -	$ 18,779,941	$ -	$ -	$ -	$ -	$ **18,779,941**	$ 16,825,450
Residential	14,094,301	-	14,094,301	-	-	-	-	**14,094,301**	13,080,953
Camp Loyaltown	4,920,879	-	4,920,879	-	-	-	-	**4,920,879**	4,725,547
Medicaid service coordination	1,051,166	-	1,051,166	-	-	-	-	**1,051,166**	2,367,598
Crisis respite	554,921	-	554,921	-	-	-	-	**554,921**	704,174
Family support	314,315	-	314,315	-	-	-	-	**314,315**	318,719
Self-direction	680,877	-	680,877	-	-	-	-	**680,877**	226,494
Total Program Service Revenue	40,396,400	-	40,396,400	-	-	-	-	**40,396,400**	38,248,935
Contributions	87,001	173,546	260,547	-	-	-	-	**260,547**	227,278
Rental income	-	-	-	88,517	-	88,517	(35,641)	**52,876**	55,536
Other revenue	-	-	-	67,213	-	67,213	(47,585)	**19,628**	298
Net assets released from restrictions	1,695,910	(1,695,910)	-	-	-	-	-	**-**	-
Total Revenue	42,179,311	(1,522,364)	40,656,947	155,730	-	155,730	(83,226)	**40,729,451**	38,532,047
Expenses									
Program services:									
Intermediate care facility	18,388,433	-	18,388,433	-	-	-	-	**18,388,433**	16,767,965
Residential	12,973,756	-	12,973,756	127,474	-	127,474	(83,226)	**13,018,004**	11,971,622
Camp Loyaltown	3,785,009	-	3,785,009	-	-	-	-	**3,785,009**	3,872,213
Medicaid service coordination	977,382	-	977,382	-	-	-	-	**977,382**	2,118,582
Crisis respite	748,932	-	748,932	-	-	-	-	**748,932**	964,571
Family support	367,818	-	367,818	-	-	-	-	**367,818**	350,234
Self-direction	696,116	-	696,116	-	-	-	-	**696,116**	306,603
Total Program Services Expenses	37,937,446	-	37,937,446	127,474	-	127,474	(83,226)	**37,981,694**	36,351,790
Supporting services:									
Management and general	2,417,743	-	2,417,743	15,422	-	15,422	-	**2,433,165**	2,319,722
Total Expenses	40,355,189	-	40,355,189	142,896	-	142,896	(83,226)	**40,414,859**	38,671,512
Change in Net Assets Before Investment Income, Net	1,824,122	(1,522,364)	301,758	12,834	-	12,834	-	**314,592**	(139,465)
Investment Income, Net	23,296	-	23,296	-	-	-	-	**23,296**	11,511
Change in Net Assets	1,847,418	(1,522,364)	325,054	12,834	-	12,834	-	**337,888**	(127,954)
Net Assets, beginning of year	5,734,656	1,786,043	7,520,699	3,424	1,396,400	1,399,824	-	**8,920,523**	9,048,477
Net Assets, end of year	$ 7,582,074	$ 263,679	$ 7,845,753	$ 16,258	$ 1,396,400	$ 1,412,658	$ -	$ **9,258,411**	$ 8,920,523

See accompanying notes to consolidating financial statements.

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Functional Expenses
(with comparative totals for 2017)

Year ended December 31,

	Program Services									Supporting Services				Total	
	Intermediate Care Facility	Residential	Camp Loyaltown	Medicaid Service Coordination	Crisis Respite	Family Support	Self-Direction	Affiliate	Total Program Services	Management and General	Affiliate	Total Supporting Services	Eliminations	**2018**	2017
Salaries	$ 10,972,965	$ 7,986,212	$ 1,327,631	$ 653,681	$ 416,038	$ 155,759	$ 216,589	$ 5,000	$ 21,733,875	$ -	$ -	$ -	$ -	**$21,733,875**	$ 20,964,550
Payroll taxes	1,269,368	906,582	155,765	74,911	45,878	18,026	24,624	383	2,495,537	-	-	-	-	**2,495,537**	2,275,416
Employee health and retirement benefits	2,091,560	1,515,285	253,856	120,593	78,143	29,461	40,156	-	4,129,054	-	-	-	-	**4,129,054**	3,764,328
Total Personnel Services	14,333,893	10,408,079	1,737,252	849,185	540,059	203,246	281,369	5,383	28,358,466	-	-	-	-	**28,358,466**	27,004,294
Other Expenses															
Professional fees and contracted services	329,071	44,499	400,697	-	-	-	100,916	-	875,183	186,445	6,638	193,083	-	**1,068,266**	961,699
Utilities	146,233	185,681	126,630	15,753	13,952	209	6,295	19,246	513,999	-	-	-	-	**513,999**	470,778
Transportation	71,264	114,652	114,301	1,145	4,889	5,322	15,709	-	327,282	-	-	-	-	**327,282**	288,954
Staff travel	15,104	14,803	23,471	18,415	295	330	1,355	-	73,773	-	-	-	-	**73,773**	93,276
Repairs and maintenance	283,939	258,971	152,511	22,438	24,259	1,311	13,084	35,261	791,774	-	-	-	-	**791,774**	721,673
Equipment purchases	77,163	73,787	28,604	730	4,091	615	-	-	184,990	-	-	-	-	**184,990**	378,091
Supplies	396,616	181,537	116,932	4,834	10,767	2,949	7,697	-	721,332	-	-	-	-	**721,332**	823,191
Participant incidentals	136,787	59,192	96,032	51	8,682	47,310	-	-	348,054	-	-	-	-	**348,054**	420,701
Food	231,891	269,487	290,567	555	13,275	5,372	-	-	811,147	-	-	-	-	**811,147**	838,673
Rent and lease expense	832,698	1,044,440	453,809	30,060	99,528	1,061	264,610	-	2,726,206	-	-	-	(83,226)	**2,642,980**	2,456,658
Recruiting and staff development	49,925	39,890	98,704	3,349	2,095	1,337	925	-	196,225	-	-	-	-	**196,225**	151,701
Fees, licenses and permits	10,796	4,508	6,767	868	428	94,017		288	117,672	90,082	-	90,082	-	**207,754**	207,873
NYS health facility assessment	993,461	-	-	-	-	-	-	-	993,461	-	-	-	-	**993,461**	860,867
Insurance	216,006	171,539	49,470	16,894	8,646	4,469	-	3,850	470,874	-	-	-	-	**470,874**	441,352
Management fee	-	-	-	-	-	-	-	-	-	2,141,216	8,784	2,150,000	-	**2,150,000**	2,123,784
Depreciation and amortization	221,936	91,961	87,572	-	17,398	222	-	63,446	482,535	-	-	-	-	**482,535**	391,088
Miscellaneous	41,650	10,730	1,690	13,105	568	48	4,156	-	71,947	-	-	-	-	**71,947**	36,859
Total Expenses	$ 18,388,433	$ 12,973,756	$ 3,785,009	$ 977,382	$ 748,932	$ 367,818	$ 696,116	$ 127,474	$ 38,064,920	$ 2,417,743	$ 15,422	$ 2,433,165	$ (83,226)	**$40,414,859**	$ 38,671,512

See accompanying notes to consolidating financial statements.

Consolidating Statement of Cash Flows
(with comparative totals for 2017)

Year ended December 31,

	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total 2018	Total 2017
Cash Flows from Operating Activities					
Change in net assets	$ 325,054	$ 12,834	$ -	**$ 337,888**	$ (127,954)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation and amortization	419,089	63,446	-	**482,535**	391,088
Realized loss on investments	2,742	-	-	**2,742**	899
Unrealized loss (gain) on investments	3,806	-	-	**3,806**	(5,376)
Forgiveness of debt	-	(66,877)	66,877	**-**	-
(Increase) decrease in assets:					
Accounts receivable	(1,251,569)	-	-	**(1,251,569)**	(651,130)
Prepaid expenses and other assets	(112,797)	(27)	-	**(112,824)**	42,499
Due from (to) controlled affiliated organization	1,782,778	-	(1,782,778)	**-**	-
Deferred charges	16,947	-	-	**16,947**	16,947
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(706,366)	(31,024)	-	**(737,390)**	(213,024)
Salaries payable, accrued payroll taxes and benefits	(110,265)	-	-	**(110,265)**	445,449
Due to non-controlled affiliated organizations	(163,082)	1,688,288	-	**1,525,206**	(39,639)
Due to (from) Citizens Options Unlimited, Inc.	-	(1,715,901)	1,715,901	**-**	-
Due to New York State OPWDD	284,306	-	-	**284,306**	226,867
Reserve for potential liabilities	1,604,978	-	-	**1,604,978**	281,774
Net Cash Provided by (Used in) Operating Activities	2,095,621	(49,261)	-	**2,046,360**	368,400
Cash Flows from Investing Activities					
Purchases of fixed assets	(302,192)	-	-	**(302,192)**	(1,827,107)
Purchases of investments	(311,459)	-	-	**(311,459)**	(650,813)
Proceeds from sale of investments	518,958	-	-	**518,958**	174,319
Net Cash Used in Investing Activities	(94,693)	-	-	**(94,693)**	(2,303,601)
Increase (Decrease) in Cash and Cash Equivalents	2,000,928	(49,261)	-	**1,951,667**	(1,935,201)
Cash and Cash Equivalents, beginning of year	2,645,491	164,543	-	**2,810,034**	4,745,235
Cash and Cash Equivalents, end of year	$ 4,646,419	$ 115,282	$ -	**$ 4,761,701**	$ 2,810,034

See accompanying notes to consolidating financial statements.

Notes to Consolidating Financial Statements

1. Description of Organization

Citizens Options Unlimited, Inc. (Citizens Options) provides individualized residential alternative services (IRA), residential respite services, intermediate care facility services (ICF) and Medicaid service coordination (MSC) for individuals with intellectual and other developmental disabilities. Additionally, Citizens Options operates Camp Loyaltown in Hunter, New York, a respite program providing services to developmentally disabled children and adults. Citizens Options is governed by its own Board of Directors, which is responsible for its operations. Citizens Options is supported primarily by service fees paid by various New York State and local government agencies. Effective July 1, 2018, Citizens Options ceased providing MSC services upon transfer of the MSC program to a third-party provider. No gain or loss was generated from this transfer. Effective July 14, 2018, Citizens Options assumed program operations with annual revenue of approximately $2.7 million from another agency consisting of one ICF in Manhasset, NY and one IRA in Port Washington, New York. Citizens Options continually pursues growth opportunities to expand its program services.

The Nassau County AHRC Foundation, Inc. (the Foundation) is the sole member of Citizens Options. Accordingly, members of the Foundation's Board of Directors have authority to approve changes to Citizens Options' by-laws and may elect members of its Board of Directors. Citizens Options is affiliated with Community Services Support Corporation (CSSC), Brookville Center for Children's Services, Inc. (BCCS), Life Care Data Exchange, LLC (LCDX), and Metropolitan Community Partners, Inc. (MCP). The Foundation is also the sole member of CSSC, BCCS, LCDX and MCP. CSSC holds title to and maintains properties for various programs, such as residential facilities for the developmentally disabled. Citizens Options' programs utilize various facilities and residential sites owned by CSSC.

MRCS V, Inc. (MRCS V) is a not-for-profit organization. Its purpose is to operate and maintain two residences, located in Commack and Greenlawn, New York, for twelve developmentally disabled adults. MRCS V became operational in September 2016. Funding is derived primarily from rental fees paid by tenants and the United States Department of Housing and Urban Development (HUD) under Section 811 of the National Affordable Housing Act, Supportive Housing for Persons with Disabilities.

2. Principles of Consolidation

The accompanying consolidating financial statements include the accounts of Citizens Options and MRCS V (collectively, Citizens). Citizens Options is the sole member of MRCS V and appoints the Board of Directors of MRCS V. All material intercompany transactions and balances have been eliminated in the consolidating financial statements.

3. Summary of Significant Accounting Policies

Basis of Presentation

The consolidating financial statements have been prepared on the accrual basis of accounting. In the consolidating statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of Citizens' net assets and its support, revenue and expenses are based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets, with donor restrictions and without donor restrictions, be reported in a statement of financial position and that the amounts of change in each of those classes of net assets be reported in a statement of activities.

These classes are defined as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of Citizens.

With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Citizens reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restriction and reported in the consolidating statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting Citizens to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy. At December 31, 2018, Citizens did not have any net assets with donor restrictions held in perpetuity.

Cash and Cash Equivalents

Citizens considers all highly liquid instruments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

Fair Value Measurement

Accounting Standards Codification (ASC) 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are those that market participants operating within the same marketplace as Citizens would use in pricing Citizens' asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of Citizens are traded. Citizens estimates the price of any asset or liability for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets or liabilities would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 – Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Investments, at Fair Value

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the consolidating statement of activities as increases or decreases in net assets without donor restrictions.

Accounts Receivable, Net

Accounts receivable, net are stated as unpaid balances, less an allowance for doubtful accounts. Citizens provides for losses on amounts due using the allowance method. The allowance method is based on experience and other circumstances, which may affect the ability of the agencies to meet their obligations. Citizens' policy is to charge off uncollectible amounts when management determines they will not be collected.

Fixed Assets, Net

Fixed assets, net are recorded at cost. Citizens capitalizes fixed assets that have a cost of $5,000 or more and useful life of more than a year. Depreciation and amortization is computed over the estimated useful lives of the assets by the straight-line method for financial reporting, as follows:

Building and leasehold improvements	5-25 years
Equipment	3-25 years

Leasehold improvements are amortized over the shorter of their useful lives or the remainder of the lease period.

Fixed assets purchased in starting up certain Medicaid-funded programs are funded up to approved amounts by the New York State Office for People with Developmental Disabilities (OPWDD) over a 60-month period, in accordance with a rate notice issued by OPWDD. The amortization of fixed assets is consistent with the funding period. Citizens records a deferred charge equal to the net future reimbursement it expects to realize in the operation of its programs. The deferred charge is amortized over the period of reimbursement. Citizens expenses all non-reimbursable start-up costs.

Impairment of Long-Lived Assets

Citizens reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2018, there has been no such losses.

Revenue Recognition

Revenue is earned as services are performed. Substantial funding is provided to Citizens Options by state and local government agencies, as well as Medicaid. Funding levels are dependent on future allocations from such agencies. Certain funding streams are based on rates that are subject to audit by these agencies and approval of rate appeals made by Citizens Options to these agencies. Any changes in rates resulting from audit adjustments or rate appeals are reflected in Citizens Options' consolidating financial statements when such rates are determined or can be reasonably estimated in the year the related services are rendered. Such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits or reviews.

Citizens reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Citizens reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

MRCS V's revenue is derived principally from the renting of apartments under one-year operating leases to eligible, very low-income individuals. Tenant rental fees are supplemented by tenant assistance payments from HUD under a Housing Assistance Payment Contract, which is renewed annually.

Rental income for MRCS V is recognized as earned and when housing is provided to individuals each month.

Functional Allocation of Expenses

The majority of expenses can generally be directly identified with program or supporting services to which they relate and are allocated accordingly. Other expenses have been allocated among program and supporting service classifications. These expenses include depreciation and amortization, utilities, information technology and facilities operations and maintenance. Depreciation and amortization is allocated based on square footage and interest expense is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort.

Concentration of Credit Risk

Financial instruments that potentially subject Citizens to concentration of credit risk consist primarily of cash and cash equivalents. At times, Citizens has cash deposits at financial institutions that exceed the Federal Deposit Insurance Corporation insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

For the year ended December 31, 2018, approximately 99% of revenues was comprised of Medicaid reimbursement.

Citizens Options Unlimited, Inc. and Affiliate

Notes to Consolidating Financial Statements

Use of Estimates

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

Income Taxes

Citizens is incorporated in the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required. There was no unrelated business income from an unrelated trade or business for 2018.

Citizens adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on consolidating Citizens' financial statements. Citizens does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. Citizens has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, Citizens has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2018, there was no interest or penalties recorded or included in the consolidating statement of activities and changes in net assets. Citizens is subject to routine audits by taxing authorities. As of December 31, 2018, Citizens was not subject to any examination by a taxing authority.

Comparative Financial Information

The consolidating financial statements include certain prior-year summarized comparative information. With respect to the consolidating statement of financial position and consolidating statement of activities, the prior-year information is presented in total, not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Citizens' consolidating financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Risks and Uncertainties

Citizens Options' investments are concentrated in government securities. Such securities are subject to various risks that determine the value of the funds. Due to the level of risk associated with certain government securities and the level of uncertainty related to changes in the value of these securities, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the consolidating financial statements.

Recently Adopted Authoritative Guidance

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions;” (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for Citizens’ consolidating financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented, although certain optional practical expedients are available for periods prior to adoption. The standard was adopted by Citizens in the year ended December 31, 2018.

Accounting Pronouncements Issued but Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14, which deferred the effective date for Citizens until annual periods beginning after December 15, 2018. CSSC and Citizens have the same parent entity, the Foundation. CSSC has provided guidance that it has publicly issued bonds. As such, CSSC and all of the Foundation’s subsidiaries would be required to adopt ASU 2014-09 in the year 2018. However, as CSSC was scoped out of adopting ASU 2014-09, the Foundation’s subsidiaries were not required to adopt in 2018. Accordingly, Citizens will adopt this standard effective in the first quarter of the year 2019 utilizing the modified retrospective method, and therefore, no adjustments will be made to amounts in prior period financial statements. Management is currently evaluating the impact of this ASU on its consolidating financial statements.

In February 2016, the FASB issued ASU 2016-02, “Accounting for Leases,” which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for Citizens for the fiscal year beginning after December 15, 2018. CSSC and Citizens have the same parent entity, the Foundation. CSSC has provided guidance that it has publicly issued bonds. As such, CSSC and all of the Foundation’s subsidiaries must adopt ASU 2016-02 in the year 2019. Accordingly, Citizens will adopt this standard effective in the first quarter of the year 2019 utilizing the modified retrospective method, and therefore, no adjustments will be made to amounts in prior

period financial statements. Management is currently evaluating the impact of this ASU on its consolidating financial statements.

Reclassifications

Certain reclassifications have been made to the 2017 consolidating financial statements in order to conform to the 2018 presentation.

4. Liquidity and Availability of Resources

Citizens’ financial assets available within one year of the consolidating statements of financial position date for general expenditures are as follows:

Year ended December 31, 2018

	Citizens Options Unlimited, Inc.	Affiliates	Eliminations	Total
Total Current Assets	$ 10,891,180	$ 344,404	$ (25,812)	$ 11,209,772
Less: amounts unavailable for general expenditures within one year, due to:				
Prepaid expenses and other current assets	(277,998)	(297)	-	(278,295)
Restricted by donor with time or purpose restrictions	(263,679)	(1,396,400)	-	(1,660,079)
Total Financial Assets Available to Management for General Expenditure Within One Year	$ 10,349,503	$ (1,052,293)	$ (25,812)	$ 9,271,398

Liquidity Management

As part of Citizens’ liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management continually evaluates the timing of estimated collections of accounts receivable and manages cash disbursement to ensure the availability of cash to meet its operating needs. Additionally, Citizens has an available $2.0 million line of credit. As the sole member of Citizens Options, the Foundation is capable of supporting Citizens Options’ additional cash flow requirements.

5. Investments, at Fair Value

Citizens Options’ investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 3 for a discussion of Citizens Options’ policies regarding this hierarchy.

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Citizens Options’ assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. A description of the valuation techniques applied to Citizens Options’ assets measured at fair value are as follows:

Government Securities - Citizens Options has investments in fixed income securities which include government securities. The investment managers priced these investments using nationally recognized pricing services. These investments are classified as Level 2.

Investments, at fair value are as follows:

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance, December 31, 2018
Government securities	$ -	$ 266,924	$ -	$ 266,924
	$ -	$ 266,924	$ -	$ 266,924

There have been no changes in the methodologies used at December 31, 2018. There were no transfers between levels during the year ended December 31, 2018.

Investment income, net is as follows:

Year ended December 31, 2018	
Interest and dividends	$ 31,655
Unrealized loss	(3,806)
Realized loss	(2,742)
Direct investment expenses	(1,811)
	$ 23,296

6. Accounts Receivable, Net

Accounts receivable, net, consists of the following:

December 31, 2018	Citizens Options Unlimited, Inc.	Affiliate	Total
Intermediate care facility	$ 1,925,165	$ -	$ 1,925,165
Residential	2,340,781	-	2,340,781
Medicaid service coordination	24,122	-	24,122
Camp Loyaltown	1,062,848	-	1,062,848
Crisis respite	95,487	-	95,487
Family support	200,830	-	200,830
Self-direction	120,514	-	120,514
HUD	-	203,013	203,013
	5,769,747	203,013	5,972,760
Less: allowance for doubtful accounts	(69,908)	-	(69,908)
	$ 5,699,839	$ 203,013	$ 5,902,852

Citizens Options Unlimited, Inc. and Affiliate

Notes to Consolidating Financial Statements

7. Fixed Assets, Net

Fixed assets, net, consists of the following:

December 31, 2018	Citizens Options Unlimited, Inc.	Affiliate	Total
Land	$ -	$ 600,000	$ 600,000
Buildings and leasehold improvements	3,682,596	2,329,026	6,011,622
Equipment	2,033,595	26,106	2,059,701
	5,716,191	2,955,132	8,671,323
Less: accumulated depreciation and amortization	(1,913,229)	(158,586)	(2,071,815)
	$ 3,802,962	$ 2,796,546	$ 6,599,508

Depreciation and amortization expense for the year ended December 31, 2018 was approximately $483,000.

8. Due to Non-Controlled Affiliated Organizations

Certain administrative services are provided by NYSARC, Inc. – Nassau County Chapter (AHRC Nassau), a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which Citizens incurred management fees of approximately $2,150,000 for the year ended December 31, 2018. As of December 31, 2018, Citizens Options had amounts payable to AHRC Nassau of approximately $999,000. The amounts payable to AHRC Nassau are included in due to non-controlled affiliated organizations in the consolidating statement of financial position.

9. Capital Advance from HUD

MRCS V has a Capital Advance/Building Loan Agreement with HUD under Section 811 of the National Affordable Housing Act aggregating $1,396,400, with which they purchased and renovated community residences to provide housing for persons with disabilities.

The Capital Advance/Building Loan bears no interest and is not required to be repaid, so long as the housing remains available to eligible, very low-income households for a period of forty years. This advance is reported as capital grant revenue and is recorded as net assets with donor restrictions (Note 13).

As of December 31, 2018, there was a related accounts receivable due from this advance in the amount of $203,013.

10. Line of Credit

As of December 31, 2018, Citizens Options has an unsecured revolving bank line of credit under which a maximum amount of $2 million can be borrowed. The line of credit agreement requires that Citizens Options comply with certain financial covenants. Citizens Options was in compliance with its financial covenants as of December 31, 2018. The line of credit bears interest at the prevailing prime rate (such rate being 5.5% at December 31, 2018). There were no amounts borrowed under the line of credit and no interest expense incurred for the year ended December 31, 2018. The agreement expires on December 8, 2019 and may be renewed with the bank's approval.

11. Retirement Expense

A defined contribution plan, as defined by IRC Section 403(b), is offered to all employees who have attained the age of 20-1/2 years, completed six months of service at the beginning of the contribution period, and have 1,000 hours of credited service. Annual employer contributions to the plan represented 4% of total eligible salaries for all employees covered. Retirement expense for the year ended December 31, 2018 was approximately $561,000 and has been accrued as part of accrued payroll taxes and benefits on the consolidating statement of financial position.

12. Reserve for Potential Liabilities

Citizens Options has entered into various contracts with OPWDD for the operation of various programs. As part of the agreements, OPWDD advanced funds for preoperational start-up costs, equipment, renovations, lease costs, real estate taxes and operations. Citizens Options has agreed to repay OPWDD all of the above funds to the extent that such costs are reimbursed by Medicaid.

Revenues and receivables from government funded programs are subject to review and final determination of realizable rates by various regulatory agencies. Management has estimated a reserve for potential liabilities of approximately $2,787,000 as of December 31, 2018.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

December 31, 2018

	Citizens Options Unlimited, Inc.	Affiliate	Total
HUD time restrictions	$ -	$ 1,396,400	$ 1,396,400
Camp Loyaltown general purposes	180,120	-	180,120
ICF services	19,805	-	19,805
Other (purpose)	63,754	-	63,754
	$ 263,679	$ 1,396,400	$ 1,660,079

Income earned on net assets with donor restrictions is expendable to support operations, unless otherwise specified by the donor.

Net assets were released for the following purposes:

December 31, 2018

	Citizens Options Unlimited, Inc.	Affiliate	Total
Camp Loyaltown general purposes	$ 1,382,102	$ -	$ 1,382,102
Camp Loyaltown capital projects	249,703	-	249,703
Other (purpose)	64,105	-	64,105
	$ 1,695,910	$ -	$ 1,695,910

14. Commitments and Contingencies

Leases

Citizens leases various buildings and vehicles under operating leases. The leases are for various durations through December 31, 2018.

Future minimum lease payments for the next five years and in the aggregate are as follows:

Year ending December 31,

	Buildings	Vehicles	Total
2019	$ 1,425,020	$ 400,096	$ 1,825,116
2020	1,297,764	260,562	1,558,326
2021	1,160,285	137,889	1,298,174
2022	983,204	66,582	1,049,786
2023	794,916	33,445	828,361
Thereafter	6,007,181	-	6,007,181
Total	$ 11,668,370	$ 898,574	$ 12,566,944

Rent expense for the year ended December 31, 2018 approximated $2,643,000, of which approximately $1,208,000 was paid to CSSC.

Legal Matters

Citizens is a party to certain routine legal actions and complaints arising in the ordinary course of business. Management is unable to determine at this time the likelihood of the outcomes. In the opinion of management, all such matters are adequately covered by insurance.

HUD Contingencies

MRCS V receives certain of its funding from HUD. Continuation of such funding is dependent on budgetary allocations from HUD. Such funding is subject to change and may have an effect on operations. Further, reimbursements under contracts are subject to audit by HUD on a regular basis. Liabilities, if any, resulting from these audits, are not presently determinable.

Pursuant to certain contractual obligations, MRCS V must operate the sites as residential facilities for the developmentally disabled for a period of forty years through 2056 from the date of construction, which began in 2016. In addition, the status of ownership must remain the same for this period.

Guarantees of Non-Controlled Affiliated Organizations Obligations

Citizens Options unconditionally guarantees separate line of credit agreements for CSSC and BCCS in the amounts of $5 million and $2 million, respectively. At December 31, 2018, there was approximately $1,850,000 outstanding under the BCCS line of credit and there was approximately $1,966,000 outstanding under the CSSC line of credit. At December 31, 2018, there was no default of the terms of these agreements.

15. Subsequent Events

Citizens Options has evaluated subsequent events through May 31, 2019, the date the consolidating financial statements were available for issuance. There were no subsequent events requiring adjustments to the consolidating financial statements or disclosures as stated herein.

In April 2019, Citizens Options obtained approval from OPWDD and the New York State Department of Health for the change in auspice of an ICF program from NYSARC, Inc. - Suffolk Chapter (the Suffolk ICF) to Citizens Options. The change in auspice is expected to be completed by July 19, 2019. The Suffolk ICF serves 83 persons and is located in Shoreham, NY. Total annual revenue is estimated at approximately $18 million.

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Citizens Options Unlimited, Inc. and Affiliate

Consolidating Financial Statements
Year Ended December 31, 2017

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Financial Statements
Year Ended December 31, 2017

Citizens Options Unlimited, Inc. and Affiliate

Contents

BDO

Tel: 212-885-8000
Fax: 212-697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Citizens Options Unlimited, Inc. and Affiliate
Brookville, New York

We have audited the accompanying consolidating financial statements of Citizens Options Unlimited, Inc. and Affiliate, which comprise the consolidating statement of financial position as of December 31, 2017, and the related consolidating statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 these consolidating 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 consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating financial statements.

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

BDO

Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of Citizens Options Unlimited, Inc. and Affiliate as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidating financial statements of Citizens Options Unlimited, Inc. and Affiliate and our report, dated May 31, 2017, expressed an unmodified opinion on those audited consolidating financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidating financial statements from which it has been derived.

BDO USA, LLP

May 31, 2018

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Financial Position (with comparative totals for 2016)

December 31,	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total 2017	Total 2016
Assets					
Current:					
Cash and cash equivalents	$ 2,645,491	$ 164,543	$ -	**$ 2,810,034**	$ 4,745,235
Investments, at fair value	480,971	-	-	**480,971**	-
Accounts receivable, net	4,448,270	203,013	-	**4,651,283**	4,000,153
Due from controlled affiliate	1,756,966	-	(1,756,966)	**-**	-
Prepaid expenses and other assets	165,201	270	-	**165,471**	207,970
Total Current Assets	9,496,899	367,826	(1,756,966)	**8,107,759**	8,953,358
Deferred Charges	112,981	-	-	**112,981**	129,928
Fixed Assets, Net	3,919,859	2,859,992	-	**6,779,851**	5,343,832
Total Assets	**$13,529,739**	**$3,227,818**	**$(1,756,966)**	**$15,000,591**	$14,427,118
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 1,693,768	$ 71,028	$ -	**$1,764,796**	$ 1,969,248
Salaries payable	797,049	-	-	**797,049**	624,589
Accrued payroll taxes and benefits	1,300,972	-	-	**1,300,972**	1,027,983
Reserve for potential liabilities	971,188	-	-	**971,188**	471,119
Due to Citizens Options Unlimited, Inc.	-	1,756,966	(1,756,966)	**-**	-
Due to non-controlled affiliated organizations	1,246,063	-	-	**1,246,063**	1,285,702
Total Current Liabilities	6,009,040	1,827,994	(1,756,966)	**6,080,068**	5,378,641
Commitments and Contingencies					
Net Assets:					
Unrestricted	5,734,656	3,424	-	**5,738,080**	6,034,079
Temporarily restricted	1,786,043	1,396,400	-	**3,182,443**	3,014,398
Total Net Assets	7,520,699	1,399,824	-	**8,920,523**	9,048,477
Total Liabilities and Net Assets	**$13,529,739**	**$3,227,818**	**$(1,756,966)**	**$15,000,591**	$14,427,118

See accompanying notes to consolidating financial statements.

Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Activities
(with comparative totals for 2016)

Year ended December 31,

	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total 2017	Total 2016
Revenue:					
Program service revenue:					
Intermediate care facility	$16,825,450	$ -	$ -	**$16,825,450**	$13,597,357
Residential	13,080,953	-	-	**13,080,953**	10,520,590
Camp Loyaltown	4,725,547	-	-	**4,725,547**	3,404,586
Medicaid service coordination	2,367,598	-	-	**2,367,598**	2,557,486
Crisis respite	704,174	-	-	**704,174**	785,457
Family support	318,719	-	-	**318,719**	323,419
Self direction	226,494	-	-	**226,494**	13,910
Total Program Service Revenue	38,248,935	-	-	**38,248,935**	31,202,805
Contributions	227,278	-	-	**227,278**	578,858
Rental income	-	89,136	(33,600)	**55,536**	9,762
Other revenue	-	67,175	(66,877)	**298**	1,397,790
Total Revenue	38,476,213	156,311	(100,477)	**38,532,047**	33,189,215
Expenses:					
Program services:					
Intermediate care facility	16,767,965	-	-	**16,767,965**	12,115,867
Residential	11,959,834	112,265	(100,477)	**11,971,622**	9,478,168
Camp Loyaltown	3,872,213	-	-	**3,872,213**	3,016,000
Medicaid service coordination	2,118,582	-	-	**2,118,582**	2,330,729
Crisis respite	964,571	-	-	**964,571**	901,125
Family support	350,234	-	-	**350,234**	330,745
Self direction	306,603	-	-	**306,603**	19,831
Total Program Services Expenses	36,340,002	112,265	(100,477)	**36,351,790**	28,192,465
Supporting services:					
Management and general	2,299,259	20,463	-	**2,319,722**	1,828,418
Total Expenses	38,639,261	132,728	(100,477)	**38,671,512**	30,020,883
Change in Net Assets Before Investment Income, Net	(163,048)	23,583	-	**(139,465)**	3,168,332
Investment Income, Net	11,511	-	-	**11,511**	-
Change in Net Assets	(151,537)	23,583	-	**(127,954)**	3,168,332
Net Assets, Beginning of Year	7,672,236	1,376,241	-	**9,048,477**	5,880,145
Net Assets, End of Year	$ 7,520,699	$1,399,824	$ -	**$ 8,920,523**	$ 9,048,477

See accompanying notes to consolidating financial statements.

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Citizens Options Unlimited, Inc. and Affiliate

Consolidating Statement of Functional Expenses
(with comparative totals for 2016)

Year ended December 31,

	Program Services									Supporting Services				Total	
	Intermediate Care Facility	Residential	Camp Loyaltown	Medicaid Service Coordination	Crisis Respite	Family Support	Self Direction	Affiliate	Total Program Services	Management and General	Affiliate	Total Supporting Services	Eliminations	**2017**	2016
Salaries	$ 9,805,178	$ 7,406,114	$1,495,553	$1,439,341	$572,447	$145,743	$ 95,174	$ 5,000	$20,964,550	$ -	$ -	$ -	$ -	**$20,964,550**	$15,428,899
Payroll taxes	1,063,372	804,724	162,129	156,984	62,227	15,715	9,882	383	2,275,416	-	-	-	-	**2,275,416**	1,796,493
Employee health and retirement benefits	1,761,470	1,330,689	267,615	259,251	102,961	25,946	16,396	-	3,764,328	-	-	-	-	**3,764,328**	3,034,528
Total Personnel Services	12,630,020	9,541,527	1,925,297	1,855,576	737,635	187,404	121,452	5,383	27,004,294	-	-	-	-	**27,004,294**	20,259,920
Other Expenses:															
Professional fees and contracted services	403,237	120,649	320,239	-	-	-	470	-	844,595	105,425	11,679	117,104	-	**961,699**	756,222
Utilities	128,143	148,729	125,322	30,256	20,444	451	958	16,475	470,778	-	-	-	-	**470,778**	440,579
Transportation	71,126	84,153	115,474	6,597	5,207	5,118	1,279	-	288,954	-	-	-	-	**288,954**	173,489
Staff travel	18,692	10,873	23,405	39,539	497	259	11	-	93,276	-	-	-	-	**93,276**	79,040
Repairs and maintenance	266,294	168,550	167,789	44,182	39,813	120	12,166	22,759	721,673	-	-	-	-	**721,673**	636,655
Equipment purchases	199,409	96,228	71,018	4,077	7,201	158	-	-	378,091	-	-	-	-	**378,091**	50,405
Supplies	442,513	210,662	125,420	16,420	14,061	7,387	6,728	-	823,191	-	-	-	-	**823,191**	618,951
Participant incidentals	187,394	62,699	123,201	687	3,301	43,419	-	-	420,701	-	-	-	-	**420,701**	351,731
Food	214,465	308,078	297,262	1,130	14,192	3,546	-	-	838,673	-	-	-	-	**838,673**	718,486
Rent and lease expense	929,445	923,571	385,830	61,950	91,494	1,616	163,229	-	2,557,135	-	-	-	(100,477)	**2,456,658**	2,419,615
Recruiting and staff development	39,896	31,267	67,558	10,050	2,185	745		-	151,701	-	-	-	-	**151,701**	90,448
Fees, licenses and permits	10,560	12,493	6,754	2,732	303	95,867	-	330	129,039	78,834	-	78,834	-	**207,873**	262,932
NYS health facility assessment	860,867	-	-	-	-	-	-	-	860,867	-	-	-	-	**860,867**	702,000
Insurance	189,029	151,180	44,818	38,516	9,914	4,024	-	3,871	441,352	-	-	-	-	**441,352**	340,009
Management fee	-	-	-	-	-	-	-	-	-	2,115,000	8,784	2,123,784	-	**2,123,784**	1,706,196
Depreciation and amortization	173,916	84,407	44,274	6,870	18,078	96	-	63,447	391,088	-	-	-	-	**391,088**	334,777
Miscellaneous	2,959	4,768	28,552	-	246	24	310	-	36,859	-	-	-	-	**36,859**	79,428
Total Expenses	**$16,767,965**	**$11,959,834**	**$3,872,213**	**$2,118,582**	**$964,571**	**$350,234**	**$306,603**	**$112,265**	**$36,452,267**	**$2,299,259**	**$20,463**	**$2,319,722**	**$(100,477)**	**$38,671,512**	$30,020,883

See accompanying notes to consolidating financial statements.

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Consolidating Statement of Cash Flows
(with comparative totals for 2016)

Year ended December 31,

	Citizens Options Unlimited, Inc.	Affiliate	Eliminations	Total 2017	Total 2016
Cash Flows from Operating Activities:					
Change in net assets	$ (151,537)	$ 23,583	$ -	**$ (127,954)**	$ 3,168,332
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation and amortization	327,641	63,447	-	**391,088**	334,777
Realized loss on investments	899	-	-	**899**	-
Unrealized gains on investments	(5,376)	-	-	**(5,376)**	-
Forgiveness of debt	-	(66,877)	66,877	**-**	-
(Increase) decrease in assets:					
Accounts receivable	(686,217)	35,087	-	**(651,130)**	(868,161)
Prepaid expenses and other assets	42,499	-	-	**42,499**	(3,738)
Due from controlled affiliated organizations	43,108	-	(43,108)	**-**	-
Deferred charges	16,947	-	-	**16,947**	16,947
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(181,178)	(23,274)	-	**(204,452)**	876,775
Salaries payable	172,460	-	-	**172,460**	167,981
Accrued payroll taxes and benefits	272,989	-	-	**272,989**	(37,924)
Due to non-controlled affiliated organizations	(39,639)	-	-	**(39,639)**	2,384,681
Due to Citizens Options Unlimited, Inc.	-	23,769	(23,769)	**-**	-
Reserve for potential liabilities	500,069	-	-	**500,069**	(3,724,049)
Net Cash Provided By Operating Activities	312,665	55,735	-	**368,400**	2,315,621
Cash Flows From Investing Activities:					
Purchases of fixed assets	(1,827,107)	-	-	**(1,827,107)**	(3,642,174)
Purchases of investments	(650,813)	-	-	**(650,813)**	-
Proceeds from sale of investments	174,319	-	-	**174,319**	-
Net Cash Used In Investing Activities	(2,303,601)	-	-	**(2,303,601)**	(3,642,174)
(Decrease) Increase in Cash and Cash Equivalents	(1,990,936)	55,735	-	**(1,935,201)**	(1,326,553)
Cash and Cash Equivalents, Beginning of Year	4,636,427	108,808	-	**4,745,235**	6,071,788
Cash and Cash Equivalents, End of Year	**$ 2,645,491**	**$164,543**	**$ -**	**$ 2,810,034**	$ 4,745,235

See accompanying notes to consolidating financial statements.

Notes to Consolidating Financial Statements

1. Description of Organization

Citizens Options Unlimited, Inc. ("Citizens Options") provides individualized residential alternative services ("IRA"), residential respite services, intermediate care facility services ("ICF") and Medicaid service coordination ("MSC") for individuals with intellectual and other developmental disabilities. Additionally, Citizens Options operates Camp Loyaltown in Hunter, New York, a respite program providing services to developmentally disabled children and adults. Citizens Options is governed by its own Board of Directors, which is responsible for its operations. Citizens Options is supported primarily by service fees paid by various New York State and local government agencies. During the quarter ended March 31, 2017, Citizens Options assumed program operations with annual revenue of approximately $2.8 million from another agency, consisting of two ICFs in Melville, NY serving nineteen persons, one of which opened on February 16, 2017 and the other which opened on March 16, 2017. Citizens Options continually pursues growth opportunities to expand its program services.

The Nassau County AHRC Foundation, Inc. (the "Foundation") is the sole member of Citizens Options. Accordingly, members of the Foundation's Board of Directors have authority to approve changes to Citizens Options by-laws and may elect members of its Board of Directors. Citizens Options is affiliated with Community Services Support Corporation ("CSSC"), Brookville Center for Children's Services, Inc. ("BCCS"), and Life Care Data Exchange, LLC ("LCDX"). The Foundation is also the sole member of CSSC, BCCS and LCDX.

MRCS V, Inc. ("MRCS V") is a not-for-profit organization. Its purpose is to operate and maintain two residences, located in Commack and Greenlawn, New York, for twelve developmentally disabled adults. MRCS V became operational in September 2016. Funding is derived primarily from rental fees paid by tenants and the United States Department of Housing and Urban Development ("HUD") under Section 811 of the National Affordable Housing Act, Supportive Housing for Persons with Disabilities.

2. Principles of Consolidation

The accompanying consolidating financial statements include the accounts of Citizens Options and MRCS V (collectively, "Citizens"). Citizens Options is the sole member of MRCS V and appoints the Board of Directors of MRCS V. All material intercompany transactions and balances have been eliminated in the consolidating financial statements.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidating financial statements have been prepared on the accrual basis of accounting. In the consolidating statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(b) Financial Statement Presentation

The classification of Citizens' net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) **Permanently restricted** – Net assets resulting from contributions and other inflows of assets whose use by Citizens is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of AHRC Nassau.

(ii) **Temporarily restricted** – Net assets resulting from contributions and other inflows of assets whose use by Citizens is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Citizens pursuant to the stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidating statement of activities.

(iii) **Unrestricted –** The part of net assets that is neither permanently nor temporarily restricted by donor imposed stipulations.

(c) Cash and Cash Equivalents

Citizens considers all highly liquid instruments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

(d) Fair Value Measurement

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as Citizens would use in pricing Citizens' asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that can not be sourced from a broad active market in which assets or liabilities identical or similar to those of Citizens are traded. Citizens estimates the price of any asset or liability for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets or liabilities would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

(e) Investments

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the consolidating statement of activities as increases or decreases in unrestricted net assets.

(f) Accounts Receivable, Net

Accounts receivable, net are stated as unpaid balances, less an allowance for doubtful accounts. Citizens provides for losses on amounts due using the allowance method. The allowance method is based on experience and other circumstances, which may affect the ability of the agencies to meet their obligations. Citizens' policy is to charge off uncollectible amounts when management determines they will not be collected.

(g) Fixed Assets, Net

Fixed assets, net are recorded at cost. Depreciation and amortization is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Building and leasehold improvements	5-25 years
Equipment	3-25 years

Leasehold improvements are amortized over the shorter of their useful lives or the remainder of the lease period.

Fixed assets purchased in starting up certain Medicaid-funded programs are funded up to approved amounts by the New York State Office for People with Developmental Disabilities ("OPWDD") over a 60-month period in accordance with a rate notice issued by OPWDD. The amortization of fixed assets is consistent with the funding period. Citizens records a deferred charge equal to the net future reimbursement it expects to realize in the operation of its programs. The deferred charge is amortized over the period of reimbursement. Citizens expenses all non-reimbursable start-up costs.

(h) Impairment of Long-Lived Assets

Citizens reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2017, there has been no such losses.

(i) Revenue Recognition

Revenue is earned as services are performed. Substantial funding is provided to Citizens by state and local government agencies, as well as Medicaid. Funding levels are dependent on future allocations from such agencies. Certain funding streams are based on rates that are subject to audit by these agencies and approval of rate appeals made by Citizens to these agencies. Any changes in rates resulting from audit adjustments or rate appeals are reflected in Citizens' consolidating financial statements when such rates are determined or can be reasonably estimated in the year the related services are rendered. Such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits or reviews.

Citizens reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Citizens reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

MRCS V's revenue is derived principally from the renting of apartments under one-year operating leases to eligible, very low income individuals. Tenant rental fees are supplemented by tenant assistance payments from HUD under a Housing Assistance Payment Contract which is renewed annually.

Rental income for MRCS V is recognized as earned and when housing is provided to individuals each month.

(j) Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the consolidating statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(k) Concentration of Credit Risk

Financial instruments which potentially subject Citizens to concentration of credit risk consist primarily of cash and cash equivalents. At times, Citizens has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

For the year ended December 31, 2017, approximately 89% of revenues was comprised of Medicaid reimbursement.

(l) Use of Estimates

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

(m) Income Taxes

Citizens is incorporated in the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required.

Citizens adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on consolidating Citizens' financial statements. Citizens does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. Citizens has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, Citizens has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2017, there was no interest or penalties recorded or included in the consolidating statement of activities and changes in net assets. Citizens is subject to routine audits by taxing authorities.

(n) Comparative Financial Information

The consolidating financial statements include certain prior year summarized comparative information. With respect to the consolidating statement of financial position and consolidating statement of activities, the prior year information is presented in total, not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Citizens' consolidating

Citizens Options Unlimited, Inc. and Affiliate

Notes to Consolidating Financial Statements

financial statements for the year ended December 31, 2016, from which the summarized information was derived.

(o) Risks and Uncertainties

Citizens' investments are concentrated in government securities. Such securities are subject to various risks that determine the value of the funds. Due to the level of risk associated with certain government securities and the level of uncertainty related to changes in the value of these securities, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the consolidating financial statements.

(p) Recently Adopted Authoritative Guidance

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-15, "Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The standard was adopted by Citizens in the year ended December 31, 2017.

(q) Accounting Pronouncements Issued But Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14 which deferred the effective date for Citizens until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidating financial statements.

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use ("ROU") model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for Citizens' consolidating financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its consolidating financial statements.

(r) Reclassifications

Certain reclassifications have been made to the 2016 consolidating financial statements in order to conform to the 2017 presentation.

4. Investments, at Fair Value

Citizens Options' investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 3 for a discussion of Citizens Options' policies regarding this hierarchy.

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Citizens Options' assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. A description of the valuation techniques applied to Citizens Options' assets measured at fair value are as follows:

Government Securities - Citizens Options has investments in fixed income securities which include government securities. The investment managers priced these investments using nationally-recognized pricing services. These investments are classified as Level 2.

Investments, at fair value as of December 31, 2017 are as follows:

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of December 31, 2017
Government securities	$-	$480,971	$-	$480,971
	$-	$480,971	$-	$480,971

There have been no changes in the methodologies used at December 31, 2017. There were no transfers between levels during the year ended December 31, 2017

Citizens Options Unlimited, Inc. and Affiliate

Notes to Consolidating Financial Statements

Investment income, net is as follows for the year ended December 31, 2017:

Year ended December 31, 2017	
Interest and dividends	$ 7,558
Unrealized gain	5,376
Realized loss	(899)
Investment fees	(524)
	$11,511

5. Accounts Receivable, Net

Accounts receivable, net consists of the following:

December 31, 2017

	Citizens Options Unlimited, Inc.	Affiliate	Total
Intermediate care facility	$1,290,908	$ -	$1,290,908
Residential	1,485,694	-	1,485,694
Medicaid service coordination	384,672	-	384,672
Camp Loyaltown	910,308	-	910,308
Crisis respite	158,878	-	158,878
Family support	212,464	-	212,464
Self direction	25,254	-	25,254
HUD	-	203,013	203,013
	4,468,178	203,013	4,671,191
Less: Allowance for doubtful accounts	(19,908)	-	(19,908)
	$4,448,270	$203,013	$4,651,283

6. Fixed Assets, Net

Fixed assets, net, consist of the following:

December 31, 2017

	Citizens Options Unlimited, Inc.	Affiliate	Total
Land	$ -	$ 600,000	$ 600,000
Buildings and leasehold improvements	3,405,455	2,329,026	5,734,481
Equipment	2,008,544	26,106	2,034,650
	5,413,999	2,955,132	8,369,131
Less: Accumulated depreciation and amortization	(1,494,140)	(95,140)	(1,589,280)
	$ 3,919,859	$2,859,992	$ 6,779,851

Depreciation and amortization expense for the year ended December 31, 2017 was approximately $391,000.

7. Due To Non-Controlled Affiliated Organizations

Certain administrative services are provided by NYSARC, Inc. – Nassau County Chapter ("AHRC Nassau"), a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which Citizens incurred management fees of approximately $2,124,000 for the year ended December 31, 2017. As of December 31, 2017, Citizens had amounts payable to AHRC Nassau of approximately $1,200,000. The amounts payable to AHRC Nassau are included in due to non-controlled affiliated organizations in the consolidating statement of financial position.

8. Capital Advance From HUD

MRCS V has a Capital Advance/Building Loan Agreement with HUD under Section 811 of the National Affordable Housing Act aggregating $1,396,400 with which they purchased and renovated community residences to provide housing for persons with disabilities.

The Capital Advance/Building Loan bears no interest and is not required to be repaid, so long as the housing remains available to eligible, very low income households for a period of forty years. This advance is reported as capital grant revenue and is recorded as temporarily restricted net assets (Note 12).

As of December 31, 2017, there was a related accounts receivable due from this advance in the amount of $203,013.

9. Line of Credit

As of December 31, 2017, Citizens has an unsecured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed. The line of credit agreement requires that Citizens comply with certain financial covenants. Citizens was in compliance with its financial covenants as of December 31, 2017. The line of credit bears interest at the prevailing prime rate (such rate being 4.50% at December 31, 2017). There were no amounts borrowed under the line of

credit and no interest expense incurred for the year ended December 31, 2017. The agreement expires on December 8, 2018 and may be renewed with the bank's approval.

10. Retirement Expense

A defined contribution plan, as defined by IRC Section 403(b), is offered to all employees who have attained the age of 20-1/2 years, completed six months of service at the beginning of the contribution period, and have 1,000 hours of credited service. Annual employer contributions to the plan represented 4% of total eligible salaries for all employees covered. Retirement expense for the year ended December 31, 2017 was approximately $568,000.

11. Reserve for Potential Liabilities

Citizens has entered into various contracts with OPWDD for the operation of various programs. As part of the agreements, OPWDD advanced funds for preoperational start-up costs, equipment, renovations, lease costs, real estate taxes and operations. Citizens has agreed to repay OPWDD all of the above funds to the extent that such costs are reimbursed by Medicaid.

Revenues and receivables from government funded programs are subject to review and final determination of realizable rates by various regulatory agencies. Management has estimated a reserve for potential liabilities of approximately $971,000 as of December 31, 2017.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2017:

December 31, 2017

	Citizens Options Unlimited, Inc.	Affiliate	Total
HUD time restrictions	$ -	$1,396,400	$1,396,400
Camp Loyaltown general purposes	1,453,303	-	1,453,303
Camp Loyaltown capital projects	249,703	-	249,703
ICF services	17,160	-	17,160
Other	65,877	-	65,877
	$1,786,043	$1,396,400	$3,182,443

Income earned on temporarily restricted net assets is expendable to support operations unless otherwise specified by the donor.

Net assets were released for the following purposes:

December 31, 2017

	Citizens Options Unlimited, Inc.	Affiliate	Total
Camp Loyaltown general purposes	$32,262	$-	$32,262
Other	1,043	-	1,043
	$33,305	$-	$33,305

The following table represents the reconciliation of changes in temporarily restricted net assets for the year ended December 31, 2017:

Year ended December 31, 2017

	Citizens Options Unlimited, Inc.	Affiliate	Total
Temporarily restricted net assets, beginning of year	$1,617,998	$1,396,400	$3,014,398
Temporarily restricted contributions	201,350	-	201,350
Temporarily restricted net assets released from restriction	(33,305)	-	(33,305)
Temporarily restricted net assets, end of year	$1,786,043	$1,396,400	$3,182,443

13. Commitments and Contingencies

Leases

Citizens leases various buildings and vehicles under operating leases. The leases are for various durations through December 31, 2017.

Future minimum lease payments at December 31, 2017 for the next five years and in the aggregate are as follows:

Year ending December 31,

	Buildings	Vehicles	Total
2018	$1,229,891	$ 418,970	$1,648,861
2019	1,118,817	331,159	1,449,976
2020	1,024,176	188,459	1,212,635
2021	895,860	65,787	961,647
2022	725,831	5,398	731,229
Thereafter	2,049,087	-	2,049,087
Total	$7,043,662	$1,009,773	$8,053,435

Rent expense for the year ended December 31, 2017 approximated $2,457,000.

Legal Matters

Citizens is a party to certain routine legal actions and complaints arising in the ordinary course of business. Management is unable to determine at this time the likelihood of the outcomes. In the opinion of management, all such matters are adequately covered by insurance.

HUD Contingencies

(a) MRCS V receives certain of its funding from HUD. Continuation of such funding is dependent on budgetary allocations from HUD. Such funding is subject to change and may have an effect on operations. Further, reimbursements under contracts are subject to audit by HUD on a regular basis. Liabilities, if any, resulting from these audits, are not presently determinable.

(b) Pursuant to certain contractual obligations, MRCS V must operate the sites as residential facilities for the developmentally disabled for a period of forty years through 2056 from the date of construction, which began in 2016. In addition, the status of ownership must remain the same for this period.

Guarantees of Non-Affiliated Organizations' Obligations

Citizens Options unconditionally guarantees separate line of credit agreements for CSSC and BCCS in the amounts of $5 million and $1 million, respectively. At December 31, 2017 there were no amounts outstanding under the BCCS line of credit and there was approximately $2,623,000 outstanding under the CSSC line of credit. At December 31, 2017, there was no default of the terms of these agreements.

14. Subsequent Events

Citizens has evaluated subsequent events through May 31, 2018, the date the consolidating financial statements were available for issuance. There were no subsequent events requiring adjustments to the consolidating financial statements or disclosures as stated herein.

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Community Services Support Corporation

Financial Statements
Year Ended December 31, 2019

Community Services Support Corporation

Financial Statements
Year Ended December 31, 2019

Community Services Support Corporation

Contents

BDO

Tel: +212 885-8000
Fax: +212 697-1299
www.bdo.com

622 Third Avenue, 31st Floor
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Community Services Support Corporation
Brookville, New York 11545

We have audited the accompanying financial statements of Community Services Support Corporation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 these 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

BDO

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Services Support Corporation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Community Services Support Corporation and our report, dated May 30, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

July 31, 2020

Community Services Support Corporation

Statement of Financial Position
(with comparative totals for 2018)

December 31,	2019	2018
Assets		
Current		
Cash and cash equivalents	$ 368,208	$ 216,910
Investments, at fair value	1,334,488	1,275,260
Accounts receivable	-	16,512
Prepaid expenses and other assets	46,914	15,435
Receivable from other organizations, current portion	307,871	309,025
Sales-type lease receivable, current portion	3,080,734	-
Total Current Assets	5,138,215	1,833,142
Receivable from Other Organizations, net of current portion	2,999,768	3,431,729
Assets Held for Specific Purpose	356,805	427,138
Sales-Type Lease Receivable, net of current portion	13,926,439	-
Fixed Assets, Net	6,603,939	35,098,267
Total Assets	$ 29,025,166	$ 40,790,276
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 74,481	$ 71,871
Line of credit	3,646,273	1,966,098
Current portion of mortgages payable	204,364	247,477
Current portion of bonds payable	4,002,834	3,929,333
Total Current Liabilities	7,927,952	6,214,779
Subvention Loan Payable	626,920	-
Mortgages Payable, net of current portion	453,670	658,033
Bonds Payable, net of current portion and deferred financing costs	16,683,936	20,478,323
Deferred Revenue	165,607	187,721
Total Liabilities	25,858,085	27,538,856
Commitments and Contingencies		
Net Assets		
Without donor restrictions	3,167,081	13,251,420
Total Liabilities and Net Assets	$ 29,025,166	$ 40,790,276

See accompanying notes to financial statements.

Community Services Support Corporation

Statement of Activities
(with comparative totals for 2018)

Year ended December 31,		2019		2018
		(Without Donor Restrictions)		
Revenue				
Rental income	$	**208,416**	$	4,428,706
Interest income		**876,445**		-
Investment income, net		**72,133**		18,943
Total Revenue		**1,156,994**		4,447,649
Expenses				
Program services:				
Interest		**1,020,223**		906,485
OPWDD administrative fees - bonds		**256**		653
Depreciation and amortization		**-**		3,255,224
Total Program Services		**1,020,479**		4,162,362
Supporting services:				
Management fees		**111,000**		150,000
Professional services		**35,661**		21,606
Total Supporting Services		**146,661**		171,606
Total Expenses		**1,167,140**		4,333,968
Change in Net Assets, before loss on change in accounting principle		**(10,146)**		113,681
Loss on Change in Accounting Principle		**(10,074,193)**		-
Change in Net Assets		**(10,084,339)**		113,681
Net Assets, beginning of year		**13,251,420**		13,137,739
Net Assets, end of year	$	**3,167,081**	$	13,251,420

See accompanying notes to financial statements.

Community Services Support Corporation

Statement of Cash Flows
(with comparative totals for 2018)

Year ended December 31,		2019		2018
Cash Flows from Operating Activities				
Change in net assets	$	**(10,084,339)**	$	113,681
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization		**-**		3,255,224
Interest expense related to deferred financing costs		**205,608**		198,528
Unrealized (gain) loss on investments		**(41,151)**		16,066
Loss on change in accounting principle		**10,074,193**		-
Accrued interest payable on subvention loan payable		**6,920**		-
Costs of issuance		**-**		(539,566)
(Increase) decrease in assets:				
Accounts receivable		**16,512**		(4,185)
Prepaid expenses and other assets		**(31,479)**		(6,844)
Receivable from other organizations		**433,115**		(1,422,341)
Sales-type lease receivable		**3,299,859**		-
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses		**2,610**		15,998
Deferred revenue		**(22,114)**		(47,041)
Net Cash Provided by Operating Activities		**3,859,734**		1,579,520
Cash Flows from Investing Activities				
Purchases of fixed assets		**(1,886,897)**		(2,836,898)
Purchases of investments		**(18,077)**		-
Net Cash Used in Investing Activities		**(1,904,974)**		(2,836,898)
Cash Flows from Financing Activities				
Proceeds from line of credit		**1,680,175**		3,244,705
Repayments on line of credit		**-**		(3,902,046)
Proceeds from subvention loan payable		**620,000**		-
Principal payments on mortgages payable		**(247,476)**		(314,638)
Proceeds from bonds payable		**-**		6,200,303
Principal payments on bonds payable		**(3,926,494)**		(3,824,000)
Change in assets held for specific purpose		**70,333**		(309,382)
Net Cash (Used in) Provided by Financing Activities		**(1,803,462)**		1,094,942
Increase (Decrease) in Cash and Cash Equivalents		**151,298**		(162,436)
Cash and Cash Equivalents, beginning of year		**216,910**		379,346
Cash and Cash Equivalents, end of year	$	**368,208**	$	216,910
Supplemental Disclosure of Cash Flow Information				
Cash paid for interest	$	**799,044**	$	691,904
Investment in assets leased through sales-type leases		**20,307,032**		-

See accompanying notes to financial statements.

1. Description of Organization

Community Services Support Corporation (CSSC) holds title to and maintains properties for various programs, such as residential facilities, for the developmentally disabled, operated by NYSARC, Inc. Nassau County Chapter (AHRC Nassau), Citizens Options Unlimited, Inc. (Citizens), Brookville Center for Children's Services (BCCS) and Advantage Care Diagnostic and Treatment Center, Inc. (Advantage Care). Revenues are derived mainly from the rental of these facilities.

The Nassau County AHRC Foundation, Inc. (the Foundation) is the sole member of CSSC. Accordingly, members of the Foundation's Board of Directors have authority to approve changes to CSSC's by-laws and may elect members of its Board of Directors. CSSC is affiliated with Citizens, BCCS, Life Care Data Exchange, LLC (LCDX) and Metropolitan Community Partners, Inc. (MCP). The Foundation is also the sole member of Citizens, BCCS, LCDX and MCP.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets—with donor restrictions and without donor restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Without Donor Restrictions – This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of CSSC.

With Donor Restrictions – This class consists of net assets whose use is limited by donor-imposed, time and/or purpose restrictions. CSSC reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting CSSC to expend the income generated by the assets, in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy.

At December 31, 2019, CSSC did not have any net assets with donor restrictions.

Cash and Cash Equivalents

CSSC considers all highly liquid instruments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

Fair Value Measurement

Accounting Standards Codification (ASC) 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as CSSC would use in pricing CSSC's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of CSSC are traded. CSSC estimates the price of any asset or liability for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets or liabilities would use, as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Investments, at Fair Value

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions.

Fixed Assets, Net

Fixed assets, net, are recorded at cost. CSSC capitalizes fixed assets that have a cost of $5,000 or more and a useful life of more than a year. Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting, as follows:

Building	15-50 years

Impairment of Long-Lived Assets

CSSC reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2019, there have been no such losses.

Deferred Revenue

The New York State Office for People with Developmental Disabilities (OPWDD) reimbursements include interest and principal amortization on loans from the Facilities Development Corporation (FDC), a public benefit corporation, in the reimbursement rate paid to service providers. However, CSSC recognizes revenue based upon interest and depreciation of the facility. The difference between revenue recognized and the reimbursement from OPWDD is reflected as deferred revenue on the statement of financial position. The deferred revenue represents timing differences, which will accumulate over the early periods of the loan repayments and will reverse during the latter periods of the loan repayments.

Revenue Recognition

CSSC's revenue is derived principally from the renting of various properties under operating and sales-type leases. For operating leases, rental income is recognized as earned and when housing is provided to individuals each month. For sales-type leases, interest income is recognized as earned.

Functional Allocation of Expenses

Expenses incurred in connection with operations have been determined by management to be either project-related or administrative expenses and are summarized in the accompanying statement of activities.

Concentration of Credit Risk

Financial instruments that potentially subject CSSC to concentration of credit risk consist primarily of cash and cash equivalents. At times, CSSC has cash deposits at financial institutions that exceed the Federal Deposit Insurance Corporation insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Use of Estimates

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

Income Taxes

CSSC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and as a not-for-profit organization under the laws of New York state. Accordingly, no provision for federal or state income taxes is required. There was no unrelated business income from an unrelated trade of business for 2019.

CSSC adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on CSSC's financial statements. CSSC does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. CSSC has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, CSSC has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2019, there was no interest or penalties recorded or included in the statement of activities. CSSC is subject to routine audits by taxing authorities. As of December 31, 2019, CSSC was not subject to any examinations by a taxing authority.

Risks and Uncertainties

CSSC's investments are concentrated in government securities. Such securities are subject to various risks that determine the value of the funds. Due to the level of risk associated with certain government securities and the level of uncertainty related to changes in the value of these securities, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the financial statements.

Recently Adopted Authoritative Guidance

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for CSSC for fiscal years beginning after December 15, 2018, as CSSC is a conduit debt obligor. The standard was adopted by CSSC in the year ended December 31, 2019 using the modified retrospective approach. See Note 7 for the impact of the adoption on the financial statements.

3. Liquidity and Availability of Resources

CSSC's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

Year ended December 31, 2019		
Total Current Assets	$	5,138,215
Less: amounts unavailable for general expenditures within one year, due to:		
Prepaid expenses and other current assets		(46,914)
Receivable from other organizations		(307,871)
Total Financial Assets Available to Management for General Expenditure Within One Year	$	4,783,430

CSSC provides adequate liquidity to fund its operating expenses, liabilities and debt service requirements by structuring its financial resources to be available as amounts become due. The Foundation, as the sole member of CSSC, is capable of supporting CSSC's additional cash flow requirements. To help manage unanticipated liquidity needs, CSSC has an available line of credit in the amount of $5 million, of which approximately $1,354,000 is available at December 31, 2019.

4. Investments, at Fair Value

CSSC's investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of CSSC's policies regarding this hierarchy.

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. CSSC's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy levels.

A description of the valuation techniques applied to CSSC's assets measured at fair value are as follows:

Government Securities - These investments are priced by the investment managers using nationally recognized pricing services. These investments are classified as Level 2.

Investments, at fair value are as follows:

December 31, 2019

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance
Government securities	$ -	$ 1,334,488	$ -	$ 1,334,488
	$ -	$ 1,334,488	$ -	$ 1,334,488

Community Services Support Corporation

Notes to Financial Statements

There have been no changes in the methodologies used at December 31, 2019. There were no transfers between levels during the year ended December 31, 2019.

Investment income, net is as follows:

Year ended December 31, 2019		
Interest and dividends	$	30,982
Unrealized gain		41,151
	$	72,133

5. Assets Held for Specific Purpose

Under the terms of the Dormitory Authority of New York State (DASNY) 2018 bonds, the Nassau County Industrial Development Agency (IDA) bonds and the 2014 and 2012 Nassau County Local Economic Assistance Corporation (LEAC) bonds, assets held for specific purpose consist of cash and cash equivalents. As of December 31, 2019, the assets held for specific purpose amounted to $356,805.

6. Fixed Assets, Net

Fixed assets, net, consist of the following:

December 31, 2019		
Buildings	$	6,603,939
	$	6,603,939

Fixed assets consist of buildings that have been purchased but have not yet been placed in service. These buildings are currently being renovated and will be leased under sales-type lease arrangements once the renovations have been completed and official approvals from regulatory authorities to occupy the buildings have been received. Estimated costs to complete the renovations as of December 31, 2019 are approximately $3,705,000. As such, there was no depreciation and amortization expense for the year ended December 31, 2019.

7. Sales-Type Lease Receivable

As noted in Note 2, CSSC adopted ASU 2016-02, "Leases" (Topic 842), for the year ended December 31, 2019. As part of its adoption, CSSC elected the practical expedient that permits an entity to not reassess whether expired or existing contracts contain leases. Additionally, CSSC has elected to not recognize leases with terms of 12 months or less on the statement of financial position. Rental income for leases of 12 months or less for the year ended December 31, 2019 was $208,416.

Sales-type lease receivables are recognized based on the present value of the future minimum lease payments over the lease term at the lease commencement date.

As discussed in Notes 1 and 8, CSSC rents various properties to AHRC Nassau, BCCS, Citizens and Advantage Care. These leases have been deemed to be sales-type leases under ASC 842. In 2019, CSSC recorded a sales-type lease receivable of $17,007,173 in the statement of financial position. The leases are for various durations through 2069. The leases require monthly payments of principal and interest at rates ranging from 3.25% to 8.25% per annum. Interest rates are based on rates that were explicitly stated in the lease agreement. In the event an interest rate is not explicitly stated in the lease agreement, CSSC used the incremental borrowing rate based on the information available at the lease inception date in determining the present value of future payments. The incremental borrowing rate is defined as interest CSSC would pay to borrow on a collateralized basis. The following is a schedule of future minimum lease receipts, including interest, under the term of the leases, together with the present value of the net minimum lease receipts, as of December 31, 2019.

Year ending December 31,		
2020	$	3,697,486
2021		3,296,830
2022		2,856,153
2023		2,176,530
2024		1,475,233
Thereafter		7,251,716
Total Minimum Lease Receipts		20,753,948
Less: amounts representing interest		(3,746,775)
Present Value of Net Minimum Lease Receipts		17,007,173
Less: current portion		(3,080,734)
	$	13,926,439

Interest income for the year ended December 31, 2019 on sales-type lease receivables was $738,751 and is included as a component of interest income in the statement of activities. Upon adoption of the ASU, CSSC recorded a loss on change in accounting principle of $10,074,193 for the removal of the leased assets.

8. Due (to) from Non-Controlled Affiliated Organizations

Management Fee

Certain administrative services are provided by AHRC Nassau, a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which CSSC incurred management fees of $111,000 for the year ended December 31, 2019.

Community Services Support Corporation

Notes to Financial Statements

Rental Income - Operating Leases

For the year ended December 31, 2019, rental income earned from non-controlled affiliated organizations was as follows:

Year ended December 31, 2019		
AHRC Nassau	$	18,600
BCCS		822
Citizens		188,994
	$	208,416

Interest Income - Sales-Type Leases

For the year ended December 31, 2019, interest income earned under sales-type leases and included as a component of interest income in the statement of activities from non-controlled affiliated organizations was as follows:

Year ended December 31, 2019		
AHRC Nassau	$	191,165
BCCS		222,821
Citizens		322,568
Advantage Care		2,197
	$	738,751

Tri-Party Agreement

On December 28, 2012, AHRC Nassau and Nassau Community Mental Retardation Services Company, Inc. (NCMRS) entered into a tri-party agreement (Tri-Party Lease) with CSSC. The Tri-Party Lease provided for CSSC's purchase of the corresponding receivable held by AHRC Nassau from NCMRS. NCMRS has a payable to CSSC in connection with the Tri-Party Lease for the December 28, 2012 LEAC Bonds Series G and K. The 2012 LEAC Bonds were established to refinance the outstanding debt of each of the Nassau County IDA Civic Facility Revenue Bond and the AHRC Nassau HSBC Line of Credit, of which the proceeds were used for improvements to the NCMRS property. As of December 31, 2019, the balance due to CSSC from NCMRS was approximately $693,000.

Debt Forgiveness - Acquisition of Property

AHRC Nassau paid for a portion of property acquisitions on behalf of Mental Retardation Community Services of Nassau County – Project III, Inc. (MRCS III) in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. MRCS III realizes debt forgiveness commensurate with reimbursement amounts received by AHRC Nassau from OPWDD. The debt forgiveness amounted to $85,639 for the year ended December 31, 2019.

In accordance with a January 2012 agreement between AHRC Nassau, MRCS III and CSSC, the debt owed by MRCS III to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS III will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $508,852 and is included as a component of receivable from other organizations in the statement of financial position.

AHRC Nassau paid for a portion of property acquisitions on behalf of Mental Retardation Community Services of Nassau County – Project IV, Inc. (MRCS IV) in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. AHRC Nassau forgives a portion of the debt due from MRCS IV, as it receives reimbursement from OPWDD and MRCS IV records a forgiveness of debt accordingly. The debt forgiveness amounted to $54,839 for the year ended December 31, 2019.

In accordance with a December 2014 agreement between AHRC Nassau, MRCS IV and CSSC, the debt owed by MRCS IV to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS IV will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $373,286 and is included as a component of receivable from other organizations in the statement of financial position.

Guarantees of Obligations

(i) CSSC unconditionally guarantees a Nassau County IDA bond financing agreement entered into by Advantage Care. At December 31, 2019, the outstanding balance carried by Advantage Care was $1,210,000. At December 31, 2019, Advantage Care was not in default of the scheduled bond payments.

(ii) CSSC unconditionally guarantees a lease agreement entered into by BCCS over the next ten years, with minimum aggregate payments due of approximately $12,600,000. As of December 31, 2019, BCCS was not in default of the terms of the lease agreement.

(iii) CSSC unconditionally guarantees separate revolving line of credit agreements for each of Citizens and BCCS, each in the amount of $2.0 million. As of December 31, 2019, there was no amount outstanding under the Citizen's line of credit and there was $1,500,000 outstanding under the BCCS line of credit. There were no defaults under the terms of these agreements.

9. Line of Credit

As of December 31, 2019, CSSC has a secured revolving bank line of credit with HSBC Bank, under which a maximum amount of $5.0 million can be borrowed. The line of credit agreement requires that CSSC comply with certain financial covenants. CSSC was in compliance with its financial covenants as of December 31, 2019. The line of credit bears interest at the prevailing prime rate (such rate being 4.75% at December 31, 2019). The line of credit is to be used to fund the acquisition of property and/or renovation of residences approved by OPWDD and the New York State Education Department, as applicable. The line of credit is secured by the assets of CSSC and guaranteed by each of BCCS, Citizens and the Foundation (collectively, the Guarantors). As of December 31, 2019, there was $3,646,273 outstanding under this line of credit. The agreement expires on December 8, 2020 and may be renewed with the bank's approval.

10. Mortgages Payable

On February 23, 2012, CSSC entered into mortgage loans with HSBC Bank for two residential properties. The loans are payable in monthly installments of $9,073 at interest rates of 4.17% and 4.19% per annum for each of these properties that mature in February 2025 and May 2025, respectively.

CSSC has entered into loan agreements with FDC, acting by and through its agent, the Commissioner of OPWDD and its successors. The loans are secured by four residential properties. The loans bear interest at rates ranging from 3.33% to 7.82% and are payable in semi-annual installments through varying dates from February 2016 to February 2021.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2020	$	204,364
2021		118,977
2022		96,723
2023		100,844
2024		105,141
Thereafter		31,985
	$	658,034

11. Bonds Payable

On August 15, 2018, CSSC obtained financing of $6,265,000 through the DASNY for the acquisition and renovation of six different properties in Long Island, NY. The bond, which consists of two series of bonds (Series 2018A-1 and 2018A-2), requires monthly interest payments and bears interest ranging from 3.5% to 4%. The Series 2018A-1 bond is a tax-exempt bond and Series 2018A-2 is a taxable bond. These bonds are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of CSSC. As the conduit debt obligor, CSSC is required to make all interest and principal payments as they become due. The bonds are publicly held and therefore have additional financial reporting requirements.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2020	$	165,834
2021		175,833
2022		182,917
2023		196,667
2024		205,000
Thereafter		5,003,557
		5,929,808
Less: unamortized balance of deferred financing costs		(506,355)
	$	5,423,453

The 2018 DASNY Bonds are subject to certain covenants. CSSC, along with the Foundation and Citizens, must maintain a specified debt service coverage ratio, must obtain prior written consent from DASNY before incurring any additional indebtedness, and CSSC, together with the Foundation and Citizens, must deposit and maintain a specified average balance that is to be maintained by a trustee. The CSSC, along with the Foundation and Citizens, is in compliance with these covenants as of December 31, 2019.

On December 30, 2014, CSSC entered into a loan agreement with Israel Discount Bank (IDB) in the aggregate amount of $12,763,000. IDB purchased and holds bonds pursuant to a bond purchase agreement by and between IDB and Bank of New York Mellon as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreement consists of a series of four bonds, referred to as 2014 LEAC Bonds Series A through D. Proceeds from the bond purchase agreement were used by CSSC to refinance years 2007 and 2006 IDA bonds of $10.2 million, to purchase and/or renovate four new projects of $2.1 million and $500,000 to pay loan closing costs. The 2014 LEAC Bonds mature at varying dates from December 1, 2021 through January 1, 2030, with interest rates ranging from 2.35% to 4.50%. Series A through C bonds are tax-exempt bonds and Series D is a taxable bond.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2020	$	1,625,000
2021		1,485,000
2022		805,000
2023		150,000
2024		160,000
Thereafter		875,000
		5,100,000
Less: unamortized balance of deferred financing costs		(76,300)
	$	5,023,700

On December 28, 2012, CSSC entered into loan agreements aggregating $31,299,000. These agreements consist of a separate agreement with each of two banks, TD Bank and IDB, with substantially identical terms in the amounts of $19,559,000 and $11,740,000, respectively. Each bank purchased and holds bonds pursuant to separate bond purchase agreements by and between each bank and U.S. Bank, NA, as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreements consist of a series of 13 bonds, referred to as 2012 LEAC Bonds Series A through M. Proceeds from the bond purchase agreement were used by CSSC to refinance then-existing long-term debt of $22.6 million to purchase and/or renovate three new projects for $6.5 million, and $2.2 million to pay loan closing costs. The 2012 LEAC Bonds mature at varying dates from April 1, 2015 through June 1, 2027, with interest rates ranging from 1.81% to 4.25%. Series A through L bonds are tax-exempt bonds and Series M is a taxable bond. The bond proceeds were deposited into bond funds held by U.S. Bank, which were used for purchase and renovations of the respective facilities and debt service repayments. U.S. Bank has a lien on, and security interest in,

the facilities, property, equipment and furnishings in addition to the rents, issues and profits generated by the facilities.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2020	$	2,212,000
2021		2,284,000
2022		2,354,000
2023		2,086,000
2024		833,000
Thereafter		929,000
		10,698,000
Less: unamortized balance of deferred financing costs		(458,383)
	$	10,239,617

The 2014 LEAC Bonds and the 2012 LEAC Bonds are subject to certain covenants. CSSC, along with the Foundation, AHRC Nassau, BCCS and Citizens (collectively, the Institution) must maintain a specified debt service coverage ratio, a specified amount of unrestricted liquid net assets, and CSSC, together with the Foundation, BCCS, Citizens, and LCDX, must deposit and maintain a specified average balance with each lender measured semi-annually on the last day of the second fiscal quarter and on the last day of each fiscal year. The Institution is in compliance with these covenants as of December 31, 2019.

12. Subvention Loan Payable

In November 2018, CSSC entered into a subvention loan agreement with the Foundation. Under the terms of the subvention agreement, CSSC may borrow up to $1.3 million. Interest is payable monthly at the rate of 2/3 of the maximum interest rate authorized from time to time pursuant to Section 5-501 of the New York General Obligations Law or 5.0% per annum, whichever is lower (such rate being 6% per annum for the year ended December 31, 2019). In 2019, CSSC drew down $620,000 on the subvention loan. Interest expense of $6,920 related to the subvention loan payable was accrued for the year ended December 31, 2019 and is included as a component of interest expense on the statement of activities.

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13. Functional Expenses

Expenses incurred in connection with operations have been determined by management to be either project-related or administrative expenses. CSSC's operating expenses grouped by functional and natural classification are as follows:

Year ended December 31, 2019

	Program Services	Supporting Services	Expenses
Interest	$ 1,020,223	$ -	$ 1,020,223
Management fee	-	111,000	111,000
Professional services	-	35,661	35,661
Others	256	-	256
	$ 1,020,479	$ 146,661	$ 1,167,140

14. Commitments and Contingencies

Legal Matters

CSSC is a party to certain routine legal actions and complaints arising in the ordinary course of business. Management is unable to determine at this time the likelihood of the outcomes. In the opinion of management, all such matters are adequately covered by insurance.

15. Subsequent Events

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the CSSC's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, CSSC is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition and liquidity for 2020. If the pandemic continues, it may have an adverse effect on CSSC's results of future operations, financial condition and liquidity in 2020.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by the COVID-19 outbreak. CSSC has not applied for, nor received, any funding from the CARES Act as of the report date.

Management continues to examine the impact that the CARES Act may have on its business. Management currently is unable to determine the impact that the CARES Act will have on the financial condition, results of operation, or liquidity.

CSSC has evaluated subsequent events through July 31, 2020, the date the financial statements were available for issuance. There were no subsequent events, other than those mentioned above, requiring adjustment to the financial statements or disclosures as stated herein.

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Community Services Support Corporation

Financial Statements
Year Ended December 31, 2018

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Community Services Support Corporation

Financial Statements
Year Ended December 31, 2018

Community Services Support Corporation

Contents

BDO

Tel: +212 885-8000
Fax: +212 697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Community Services Support Corporation
Brookville, New York 11545

We have audited the accompanying financial statements of Community Services Support Corporation, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 these 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Services Support Corporation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Community Services Support Corporation and our report, dated May 25, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 30, 2019

Community Services Support Corporation

Statement of Financial Position
(with comparative totals for 2017)

December 31,		**2018**		2017
Assets				
Current				
Cash and cash equivalents	**$**	**216,910**	$	379,346
Investments, at fair value		**1,275,260**		1,291,326
Accounts receivable		**16,512**		12,327
Prepaid expenses and other assets		**15,435**		8,591
Receivable from other organizations, current portion		**309,025**		263,421
Total Current Assets		**1,833,142**		1,955,011
Receivable from Other Organizations, net of current portion		**3,431,729**		2,054,992
Assets Held for Specific Purpose		**427,138**		117,756
Fixed Assets, Net		**35,098,267**		35,516,593
Total Assets	**$**	**40,790,276**	$	39,644,352
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**71,871**	$	55,873
Line of credit		**1,966,098**		2,623,439
Mortgages payable, current portion		**247,477**		314,638
Bonds payable, current portion		**3,929,333**		3,744,000
Total Current Liabilities		**6,214,779**		6,737,950
Mortgages Payable, net of current portion		**658,033**		905,510
Bonds Payable, net of current portion and deferred financing costs		**20,478,323**		18,628,391
Deferred Revenue		**187,721**		234,762
Total Liabilities		**27,538,856**		26,506,613
Commitments and Contingencies				
Net Assets				
Without donor restrictions		**13,251,420**		13,137,739
Total Liabilities and Net Assets	**$**	**40,790,276**	$	39,644,352

See accompanying notes to financial statements.

Community Services Support Corporation

Statement of Activities
(with comparative totals for 2017)

Year ended December 31,	2018	2017
	(Without Donor Restrictions)	
Revenue		
Rental income	**$ 4,428,706**	$ 4,829,292
Investment income, net	**18,943**	32,251
Total Revenue	**4,447,649**	4,861,543
Expenses		
Program services:		
Interest	**906,485**	1,111,942
OPWDD administrative fees - bonds	**653**	2,786
Depreciation and amortization	**3,255,224**	3,384,051
Total Program Services	**4,162,362**	4,498,779
Supporting services:		
Management fees	**150,000**	150,000
Professional services	**21,606**	24,470
Total Supporting Services	**171,606**	174,470
Total Expenses	**4,333,968**	4,673,249
Change in Net Assets	**113,681**	188,294
Net Assets, beginning of year	**13,137,739**	12,949,445
Net Assets, end of year	**$ 13,251,420**	$ 13,137,739

See accompanying notes to financial statements.

Community Services Support Corporation

Statement of Cash Flows
(with comparative totals for 2017)

Year ended December 31,	2018	2017
Cash Flows from Operating Activities		
Change in net assets	**$ 113,681**	$ 188,294
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**3,255,224**	3,384,051
Interest expense related to deferred financing costs	**198,528**	388,694
Unrealized loss on investments	**16,066**	4,741
Costs of issuance	**(539,566)**	-
Increase (decrease) in assets:		
Accounts receivable	**(4,185)**	112,957
Prepaid expenses and other assets	**(6,844)**	-
Receivable from other organizations	**(1,422,341)**	287,586
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**15,998**	(44,270)
Deferred revenue	**(47,041)**	(17,739)
Net Cash Provided by Operating Activities	**1,579,520**	4,304,314
Cash Flows from Investing Activities		
Purchases of fixed assets	**(2,836,898)**	(2,821,992)
Cash Flows from Financing Activities		
Proceeds from line of credit	**3,244,705**	1,335,793
Repayments on line of credit	**(3,902,046)**	-
Principal payments on mortgages payable	**(314,638)**	(399,572)
Proceeds from bonds payable	**6,200,303**	-
Principal payments on bonds payable	**(3,824,000)**	(3,941,000)
Change in assets held for specific purpose	**(309,382)**	(22)
Net Cash Provided by (Used in) Financing Activities	**1,094,942**	(3,004,801)
Decrease in Cash and Cash Equivalents	**(162,436)**	(1,522,479)
Cash and Cash Equivalents, beginning of year	**379,346**	1,901,825
Cash and Cash Equivalents, end of year	**$ 216,910**	$ 379,346
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	**$ 691,904**	$ 743,248

See accompanying notes to financial statements.

1. Description of Organization

Community Services Support Corporation (CSSC) holds title to and maintains properties for various programs, such as residential facilities for the developmentally disabled, operated by NYSARC, Inc. Nassau County Chapter (AHRC Nassau), Citizens Options Unlimited, Inc. (Citizens), Brookville Center for Children's Services (BCCS) and Advantage Care Diagnostic and Treatment Center, Inc. (Advantage Care). Revenues are derived mainly from the rental of these facilities.

The Nassau County AHRC Foundation, Inc. (the Foundation) is the sole member of CSSC. Accordingly, members of the Foundation's Board of Directors have authority to approve changes to CSSC's by-laws and may elect members of its Board of Directors. CSSC is affiliated with Citizens, BCCS, Life Care Data Exchange, LLC (LCDX) and Metropolitan Community Partners, Inc. (MCP). The Foundation is also the sole member of Citizens, BCCS, LCDX and MCP.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of CSSC's net assets and its support, revenue and expenses are based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets, with donor restriction and without donor restriction, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of CSSC.

With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. CSSC reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. At December 31, 2018, CSSC did not have any net assets with donor restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting CSSC to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy. At December 31, 2018, CSSC did not have any net assets with donor restrictions held in perpetuity.

Cash and Cash Equivalents

CSSC considers all highly liquid instruments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

Fair Value Measurement

Accounting Standards Codification (ASC) 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as CSSC would use in pricing CSSC's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of CSSC are traded. CSSC estimates the price of any asset or liability for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets or liabilities would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Investments, at Fair Value

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions.

Accounts Receivable

Accounts receivable are stated as unpaid balances, less an allowance for doubtful accounts. CSSC provides for losses on amounts due using the allowance method. The allowance method is based on experience and other circumstances, which may affect the ability of the agencies to meet their obligations. CSSC's policy is to charge off uncollectible amounts when management determines they will not be collected. As of December 31, 2018, there is no allowance for doubtful accounts recorded. Accounts receivable consists of rent receivable from tenants.

Fixed Assets, Net

Fixed assets, net are recorded at cost. CSSC capitalizes fixed assets that have a cost of $5,000 or more and a useful life of more than a year. Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Building	15-50 years
Building improvements	15-50 years
Cooperative apartments	15-50 years

Impairment of Long-Lived Assets

CSSC reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2018, there have been no such losses.

Deferred Revenue

The New York State Office for People with Developmental Disabilities (OPWDD) reimbursements include interest and principal amortization on loans from the Facilities Development Corporation (FDC), a public benefit corporation in the reimbursement rate paid to service providers. However, CSSC recognizes revenue based upon interest and depreciation of the facility. The difference between revenue recognized and the reimbursement from OPWDD is reflected as deferred revenue on the statement of financial position. The deferred revenue represents timing differences, which will accumulate over the early periods of the loan repayments and will reverse during the latter periods of the loan repayments.

Revenue Recognition

Rental income is recognized as earned and when housing is provided to individuals each month.

CSSC reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, CSSC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Functional Allocation of Expenses

Expenses incurred in connection with operations have been determined by management to be either project related or administrative expenses and are summarized in the accompanying statement of activities.

Concentration of Credit Risk

Financial instruments which potentially subject CSSC to concentration of credit risk consist primarily of cash and cash equivalents. At times, CSSC has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Use of Estimates

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

Income Taxes

CSSC is incorporated in the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required. There was no unrelated business income from an unrelated trade of business for 2018.

CSSC adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on CSSC's financial statements. CSSC does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. CSSC has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, CSSC has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2018, there was no interest or penalties recorded or included in the statement of activities. CSSC is subject to routine audits by taxing authorities. As of December 31, 2018, CSSC was not subject to any examinations by a taxing authority.

Risks and Uncertainties

CSSC's investments are concentrated in government securities. Such securities are subject to various risks that determine the value of the funds. Due to the level of risk associated with certain government securities and the level of uncertainty related to changes in the value of these securities, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the financial statements.

Recently Adopted Authoritative Guidance

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for CSSC's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. The standard was adopted by CSSC in the year ended December 31, 2018.

Accounting Pronouncements Issued but Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for CSSC for fiscal years beginning after December 15, 2018 as CSSC is a conduit debt obligor. Accordingly, CSSC will adopt this standard effective in the first quarter of the year 2019 utilizing the modified retrospective method, and therefore, no adjustments will be made to amounts in prior period financial statements. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

3. Liquidity and Availability of Resources

CSSC's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

Year ended December 31, 2018		
Total Current Assets	$	1,833,142
Less: amounts unavailable for general expenditures within one year, due to:		
Prepaid expenses and other current assets		(15,435)
Receivable from other organizations		(309,025)
Total Financial Assets Available to Management for General Expenditure Within One Year	$	1,508,682

CSSC provides adequate liquidity to fund its operating expenses, liabilities and debt service requirements by structuring its financial resources to be available as amounts become due. The Foundation, as the sole member of CSSC, is capable of supporting CSSC's additional cash flow requirements.

4. Investments, at Fair Value

CSSC's investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of CSSC's policies regarding this hierarchy.

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. CSSC's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy levels. A description of the valuation techniques applied to CSSC's assets measured at fair value are as follows:

Government Securities - These investments are priced by the investment managers using nationally recognized pricing services. These investments are classified as Level 2.

Investments, at fair value are as follows:

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance, December 31, 2018
Government securities	$ -	$ 1,275,260	$ -	$ 1,275,260
	$ -	$ 1,275,260	$ -	$ 1,275,260

There have been no changes in the methodologies used at December 31, 2018. There were no transfers between levels during the year ended December 31, 2018.

Investment income, net is as follows:

Year ended December 31, 2018		
Interest and dividends	$	35,009
Unrealized loss		(16,066)
	$	18,943

5. Assets Held for Specific Purpose

Under the terms of the Dormitory Authority of New York State (DASNY) 2018 bonds, the Nassau County Industrial Development Agency (IDA) bonds and the 2014 and 2012 Nassau County Local Economic Assistance Corporation (LEAC) bonds, assets held for specific purpose consist of cash and cash equivalents. As of December 31, 2018, the assets held for specific purpose amounted to $427,138.

6. Fixed Assets, Net

Fixed assets, net, consist of the following:

December 31, 2018		
Land	$	11,768,955
Buildings		61,298,093
Building improvements		26,279,522
Cooperative apartments		3,080,762
		102,427,332
Less: accumulated depreciation and amortization		(67,329,065)
	$	35,098,267

Depreciation and amortization expense for the year ended December 31, 2018 totaled $3,255,224.

7. Due (to) from Non-Controlled Affiliated Organizations

Management Fee

Certain administrative services are provided by AHRC Nassau, a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which CSSC incurred management fees of $150,000 for the year ended December 31, 2018.

Rental Income

For the year ended December 31, 2018, rental income earned from various organizations was as follows:

Year ended December 31, 2018		
AHRC Nassau	$	1,688,327
BCCS		1,258,697
Citizens		1,460,425
Advantage Care		21,257
	$	4,428,706

Tri-Party Agreement

On December 28, 2012, AHRC Nassau and Nassau Community Mental Retardation Services Company, Inc. (NCMRS) entered into a tri-party agreement (Tri-Party Lease) with CSSC. The Tri-Party Lease provided for CSSC's purchase of the corresponding receivable held by AHRC Nassau from NCMRS. NCMRS has a payable to CSSC in connection with the Tri-Party Lease for the December 28, 2012 LEAC Bonds Series G and K. The 2012 LEAC Bonds were established to refinance the outstanding debt of each of the Nassau County IDA Civic Facility Revenue Bond and the AHRC Nassau HSBC Line of Credit, of which the proceeds were used for improvements to the NCMRS property. As of December 31, 2018, the balance due to CSSC from NCMRS was approximately $777,000.

Debt Forgiveness - Acquisition of Property

AHRC Nassau paid for a portion of property acquisitions on behalf of Mental Retardation Community Services of Nassau County – Project III, Inc. (MRCS III) in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. MRCS III realizes debt forgiveness commensurate with reimbursement amounts received by AHRC Nassau from OPWDD. The debt forgiveness amounted to $82,453 for the year ended December 31, 2018.

In accordance with a January 2012 agreement between AHRC Nassau, MRCS III and CSSC, the debt owed by MRCS III to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS III will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $594,491.

AHRC Nassau paid for a portion of property acquisitions on behalf of Mental Retardation Community Services of Nassau County – Project IV, Inc. (MRCS IV) in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. AHRC Nassau forgives a portion of the debt due from MRCS IV as it receives reimbursement from OPWDD and MRCS IV records a forgiveness of debt accordingly. The debt forgiveness amounted to $54,839 for the year ended December 31, 2018.

In accordance with a December 2014 agreement between AHRC Nassau, MRCS IV and CSSC, the debt owed by MRCS IV to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS IV will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $498,126.

Guarantees of Obligations

(i) CSSC unconditionally guarantees a Nassau County IDA bond financing agreement entered into by Advantage Care. At December 31, 2018, the outstanding balance carried by Advantage Care was $1,305,000. At December 31, 2018, Advantage Care was not in default of the scheduled bond payments.

(ii) CSSC unconditionally guarantees a lease agreement entered into by BCCS over the next ten years with minimum aggregate payments due of approximately $12,600,000. As of December 31, 2018, BCCS was not in default of the terms of the lease agreement.

(iii) CSSC unconditionally guarantees separate revolving line of credit agreements for each of Citizens and BCCS, each in the amount of $2.0 million. As of December 31, 2018, there was no amount outstanding under the Citizen's line of credit and there was $1,850,000 outstanding under the BCCS line of credit which was fully repaid in March 2019. There were no defaults under the terms of these agreements.

8. Line of Credit

As of December 31, 2018, CSSC has a secured revolving bank line of credit with HSBC Bank, under which a maximum amount of $5.0 million can be borrowed. The line of credit agreement requires that CSSC comply with certain financial covenants. CSSC was in compliance with its financial covenants as of December 31, 2018. The line of credit bears interest at the prevailing prime rate (such rate being 5.50% at December 31, 2018). The line of credit is to be used to fund the acquisition of property and/or renovation of residences approved by OPWDD and the New York State Education Department, as applicable. The line of credit is secured by the assets of CSSC and guaranteed by each of BCCS, Citizens and the Foundation (collectively, the Guarantors). As of December 31, 2018, there was $1,966,098 outstanding under this line of credit. The agreement expires on December 8, 2019 and may be renewed with the bank's approval.

9. Mortgages Payable

On February 23, 2012, CSSC entered into mortgage loans with HSBC Bank for two residential properties. The loans are payable in monthly installments of $9,073 at interest rates of 4.17% and 4.19% per annum for each of these properties which mature in February 2025 and May 2025, respectively.

CSSC has entered into loan agreements with FDC, acting by and through its agent, the Commissioner of OPWDD and its successors. The loans are secured by four residential properties. The loans bear interest at rates ranging from 3.33% to 7.82% and are payable in semi-annual installments through varying dates from February 2016 to February 2021.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2019	$	247,477
2020		204,364
2021		118,977
2022		96,723
2023		100,844
Thereafter		137,125
	$	905,510

10. Bonds Payable

On August 15, 2018, CSSC obtained financing of $6,265,000 through the DASNY for the acquisition and renovation of six different properties in Long Island, NY. The bond, which consists of two series of bonds (Series 2018A-1 and 2018A-2) requires monthly interest payments and bears interest ranging from 3.5% to 4%. The Series 2018A-1 bond is a tax-exempt bond and Series 2018A-2 is a taxable bond. These bonds are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of CSSC. As the conduit debt obligor, CSSC is required to make all interest and principal payments as they become due. The bonds are publicly held and therefore have additional financial reporting requirements.

Community Services Support Corporation
Notes to Financial Statements

Future minimum annual principal payments are as follows:

Year ending December 31,		
2019	$	193,333
2020		165,833
2021		175,833
2022		182,917
2023		196,667
Thereafter		5,205,720
		6,120,303
Less: unamortized balance of deferred financing costs		(528,496)
	$	5,591,807

The 2018 DASNY Bonds are subject to certain covenants. CSSC, along with the Foundation and Citizens must maintain a specified debt service coverage ratio, must obtain prior written consent from DASNY before incurring any additional indebtedness, and CSSC, together with the Foundation and Citizens, must deposit and maintain a specified average balance which is to be maintained by a trustee. The CSSC, along with the Foundation and Citizens is in compliance with these covenants as of December 31, 2018.

On December 30, 2014, CSSC entered into a loan agreement with Israel Discount Bank (IDB), in the aggregate amount of $12,763,000. IDB purchased and holds bonds pursuant to a bond purchase agreement by and between IDB and Bank of New York Mellon as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreement consists of a series of four bonds, referred to as 2014 LEAC Bonds Series A through D. Proceeds from the bond purchase agreement were used by CSSC to refinance years 2007 and 2006 IDA bonds of $10.2 million, to purchase and/or renovate four new projects of $2.1 million and $500,000 to pay loan closing costs. The 2014 LEAC Bonds mature at varying dates from December 1, 2021 through January 1, 2030 with interest rates ranging from 2.35% to 4.50%. Series A through C bonds are tax-exempt bonds and Series D is a taxable bond.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2019	$	1,585,000
2020		1,625,000
2021		1,485,000
2022		805,000
2023		150,000
Thereafter		1,035,000
		6,685,000
Less: unamortized balance of deferred financing costs		(159,884)
	$	6,525,116

On December 28, 2012, CSSC entered into loan agreements aggregating $31,299,000. These agreements consist of a separate agreement with each of two banks, TD Bank and IDB, with substantially identical terms in the amounts of $19,559,000 and $11,740,000, respectively. Each bank purchased and holds bonds pursuant to separate bond purchase agreements by and between each bank and U.S. Bank, NA, as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreements consist of a series of thirteen bonds, referred to as 2012 LEAC Bonds Series A through M. Proceeds from the bond purchase agreement were used by CSSC to refinance then existing long-term debt of $22.6 million, to purchase and/or renovate three new projects for $6.5 million, and $2.2 million to pay loan closing costs. The 2012 LEAC Bonds mature at varying dates from April 1, 2015 through June 1, 2027 with interest rates ranging from 1.81% to 4.25%. Series A through L bonds are tax-exempt bonds and Series M is a taxable bond. The bond proceeds were deposited into bond funds held by U.S. Bank, which were used for purchase and renovations of the respective facilities and debt service repayments. U.S. Bank has a lien on, and security interest in, the facilities, property, equipment and furnishings in addition to the rents, issues and profits generated by the facilities.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2019	$	2,151,000
2020		2,212,000
2021		2,284,000
2022		2,354,000
2023		2,086,000
Thereafter		1,762,000
		12,849,000
Less: unamortized balance of deferred financing costs		(558,267)
	$	12,290,733

The 2014 LEAC Bonds and the 2012 LEAC Bonds are subject to certain covenants. CSSC, along with the Foundation, Advantage Care, AHRC Nassau, BCCS and Citizens (collectively, the Institution) must maintain a specified debt service coverage ratio, a specified amount of unrestricted liquid net assets, and CSSC, together with the Foundation, BCCS, Citizens, and LCDX, must deposit and maintain a specified average balance with each lender measured semi-annually on the last day of the second fiscal quarter and on the last day of each fiscal year. The Institution is in compliance with these covenants as of December 31, 2018.

11. Functional Expenses

Expenses incurred in connection with operations have been determined by management to be either project-related or administrative expenses. CSSC's operating expenses grouped by functional and natural classification are as follows:

Year ended December 31, 2018	Residential Property Expenses	General and Administrative	Total
Interest	$ 906,485	$ -	$ 906,485
Depreciation and amortization	3,255,224	-	3,255,224
Management fee	-	150,000	150,000
Professional services	-	21,606	21,606
Others	653	-	653
	$ 4,162,362	$ 171,606	$ 4,333,968

12. Commitments and Contingencies

Legal Matters

CSSC is a party to certain routine legal actions and complaints arising in the ordinary course of business. Management is unable to determine at this time the likelihood of the outcomes. In the opinion of management, all such matters are adequately covered by insurance.

13. Subsequent Events

CSSC has evaluated subsequent events through May 30, 2019, the date the financial statements were available for issuance. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

Community Services Support Corporation

Financial Statements
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Community Services Support Corporation

Financial Statements
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Community Services Support Corporation

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BDO

Tel: 212-885-8000
Fax: 212-697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Community Services Support Corporation
Brookville, New York 11545

We have audited the accompanying financial statements of Community Services Support Corporation, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 these 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Services Support Corporation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Community Services Support Corporation and our report, dated May 31, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 25, 2018

Community Services Support Corporation

Statement of Financial Position
(with comparative totals for 2016)

December 31,	2017	2016
Assets		
Current:		
Cash and cash equivalents	**$ 379,346**	$ 1,901,825
Investments, at fair value	**1,291,326**	1,296,067
Accounts receivable	**12,327**	125,284
Prepaid expenses and other assets	**8,591**	8,591
Receivable from other organizations, current portion	**263,421**	278,495
Total Current Assets	**1,955,011**	3,610,262
Receivable From Other Organizations, Net of Current Portion	**2,054,992**	2,327,504
Assets Held for Specific Purpose	**117,756**	117,734
Fixed Assets, Net	**35,516,593**	36,078,652
Total Assets	**$39,644,352**	$42,134,152
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 55,873**	$ 100,143
Line of credit	**2,623,439**	1,287,646
Mortgages payable, current portion	**314,638**	399,845
Bonds payable, current portion	**3,744,000**	3,941,000
Total Current Liabilities	**6,737,950**	5,728,634
Mortgages Payable, Net of Current Portion	**905,510**	1,219,875
Bonds Payable, Net of Current Portion and Deferred Financing Costs	**18,628,391**	21,983,697
Deferred Revenue	**234,762**	252,501
Total Liabilities	**26,506,613**	29,184,707
Commitments and Contingencies		
Net Assets:		
Unrestricted	**13,137,739**	12,949,445
Total Liabilities and Net Assets	**$39,644,352**	$42,134,152

See accompanying notes to financial statements.

Community Services Support Corporation

Statement of Activities
(with comparative totals for 2016)

Year ended December 31,	2017	2016
Revenue:		
Rental income	$ 4,829,292	$ 5,394,366
Investment income	32,251	40,386
Total Revenue	4,861,543	5,434,752
Expenses:		
Program services:		
Interest	1,111,942	1,398,703
OPWDD administrative fees - bonds	2,786	3,320
Depreciation and amortization	3,384,051	3,617,934
Total Program Services	4,498,779	5,019,957
Supporting services:		
Management fees	150,000	150,000
Professional services	24,470	41,612
Total Supporting Services	174,470	191,612
Total Expenses	4,673,249	5,211,569
Change in Net Assets	188,294	223,183
Net Assets, Beginning of Year	12,949,445	12,726,262
Net Assets, End of Year	$13,137,739	$12,949,445

See accompanying notes to financial statements.

Community Services Support Corporation

Statement of Cash Flows
(with comparative totals for 2016)

Year ended December 31,	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	$ 188,294	$ 223,183
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,384,051	3,617,934
Interest expense related to deferred financing costs	388,694	580,308
Unrealized (loss) gain on investments	4,741	(6,255)
Decrease (increase) in assets:		
Accounts receivable, net	112,957	83,464
Prepaid expenses and other assets	-	37,573
Receivable from other organizations	287,586	377,332
Assets held for specific purpose	(22)	-
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(44,270)	47,665
Deferred revenue	(17,739)	15,539
Net Cash Provided By Operating Activities	4,304,292	4,976,743
Cash Flows From Investing Activities:		
Purchases of fixed assets	(2,821,992)	(1,073,767)
Cash Flows From Financing Activities:		
Proceeds from line of credit	1,335,793	705,354
Principal payments on line of credit	-	(26,905)
Principal payments on mortgages payable	(399,572)	(398,813)
Principal payments on bonds payable	(3,941,000)	(4,640,000)
Net Cash Used in Financing Activities	(3,004,779)	(4,360,364)
Decrease in Cash and Cash Equivalents	(1,522,479)	(457,388)
Cash and Cash Equivalents, Beginning of Year	1,901,825	2,359,213
Cash and Cash Equivalents, End of Year	$ 379,346	$ 1,901,825
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 743,248	$ 818,395

See accompanying notes to financial statements.

1. Description of Organization

Community Services Support Corporation ("CSSC") holds title to and maintains properties for various programs, such as residential facilities for the developmentally disabled, operated by NYSARC, Inc. Nassau County Chapter ("AHRC Nassau"), Citizens Options Unlimited, Inc. ("Citizens"), Brookville Center for Children's Services ("BCCS") and Advantage Care Diagnostic and Treatment Center, Inc. ("Advantage Care"). Revenues are derived mainly from the rental of these facilities.

In March 2016, CSSC changed its name from Community Services for the Mentally Retarded, Inc. to more appropriately reflect the organization's mission and nature of services provided.

The Nassau County AHRC Foundation, Inc. (the "Foundation") is the sole member of CSSC. Accordingly, members of the Foundation's Board of Directors have authority to approve changes to CSSC's by-laws and may elect members of its Board of Directors. CSSC is affiliated with Citizens, BCCS, and Life Care Data Exchange, LLC ("LCDX"). The Foundation is also the sole member of Citizens, BCCS and LCDX.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(b) Financial Statement Presentation

The classification of CSSC's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) **Permanently restricted** – Net assets resulting from contributions and other inflows of assets whose use by CSSC is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of CSSC.

(ii) **Temporarily restricted** – Net assets resulting from contributions and other inflows of assets whose use by CSSC is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CSSC pursuant to the stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

(iii) **Unrestricted –** The part of net assets that is neither permanently nor temporarily restricted by donor imposed stipulations.

(c) Cash and Cash Equivalents

CSSC considers all highly liquid instruments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

Community Services Support Corporation
Notes to Financial Statements

(d) Fair Value Measurement

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as CSSC would use in pricing CSSC's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that can not be sourced from a broad active market in which assets or liabilities identical or similar to those of CSSC are traded. CSSC estimates the price of any asset or liability for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets or liabilities would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly. This category includes government securities.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

(e) Investments

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets.

(f) Accounts Receivable

Accounts receivable are stated as unpaid balances, less an allowance for doubtful accounts. CSSC provides for losses on amounts due using the allowance method. The allowance method is based on experience and other circumstances, which may affect the ability of the agencies to meet their obligations. CSSC's policy is to charge off uncollectible amounts when management determines they will not be collected. As of December 31, 2017, there is no allowance for doubtful accounts recorded. Accounts receivable consists of rent receivable from tenants.

(g) Fixed Assets

Fixed assets, net are recorded at cost. Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Building	15-50 years
Building improvements	15-50 years
Cooperative apartments	15-50 years

(h) Impairment of Long-Lived Assets

CSSC reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2017, there have been no such losses.

(i) Deferred Revenue

The New York State Office for People with Developmental Disabilities ("OPWDD") reimbursements include interest and principal amortization on loans from the Facilities Development Corporation ("FDC"), a public benefit corporation in the reimbursement rate paid to service providers. However, CSSC recognizes revenue based upon interest and depreciation of the facility. The difference between revenue recognized and the reimbursement from OPWDD is reflected as deferred revenue on the statement of financial position. The deferred revenue represents timing differences, which will accumulate over the early periods of the loan repayments and will reverse during the latter periods of the loan repayments.

(j) Revenue Recognition

Rental income is recognized as earned and when housing is provided to individuals each month.

CSSC reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, CSSC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(k) Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) Concentration of Credit Risk

Financial instruments which potentially subject CSSC to concentration of credit risk consist primarily of cash and cash equivalents. At times, CSSC has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

(m) Use of Estimates

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

(n) Income Taxes

CSSC is incorporated in the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required.

CSSC adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on CSSC's financial statements. CSSC does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. CSSC has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, CSSC has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2017, there was no interest or penalties recorded or included in the statement of activities. CSSC is subject to routine audits by taxing authorities.

(o) Risks and Uncertainties

CSSC's investments are concentrated in government securities. Such securities are subject to various risks that determine the value of the funds. Due to the level of risk associated with certain government securities and the level of uncertainty related to changes in the value of these securities, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the financial statements.

(p) Recently Adopted Authoritative Guidance

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updated ("ASU") 2014-15, "Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The standard was adopted by CSSC in the year ended December 31, 2017.

(q) Accounting Pronouncements Issued But Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14 which deferred the effective date for CSSC until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use ("ROU") model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for CSSC's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its financial statements.

3. Investments, at Fair Value

CSSC's investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of CSSC's policies regarding this hierarchy.

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. CSSC's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy levels.

Community Services Support Corporation

Notes to Financial Statements

Investments, at fair value as of December 31, 2017 are as follows:

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of December 31, 2017
Government securities	$-	$1,291,326	$-	$1,291,326
	$-	$1,291,326	$-	$1,291,326

There have been no changes in the methodologies used at December 31, 2017. There were no transfers between levels during the year ended December 31, 2017.

Investment income, net is as follows for the year ended December 31, 2017:

Year ended December 31, 2017	
Interest and dividends	$36,992
Unrealized loss	(4,741)
	$32,251

4. Assets Held for Specific Purpose

Under the terms of the Nassau County Industrial Development Agency ("IDA") bonds and the 2014 and 2012 Nassau County Local Economic Assistance Corporation ("LEAC") bonds, assets held for specific purpose consist of cash and cash equivalents. As of December 31, 2017, the assets held for specific purpose amounted to $117,756.

5. Fixed Assets, Net

Fixed assets, net, consist of the following:

Land	$ 11,568,955
Buildings	58,661,197
Building improvements	26,279,521
Cooperative apartments	3,080,762
	99,590,435
Less: Accumulated depreciation and amortization	(64,073,842)
	$ 35,516,593

Depreciation and amortization expense for the year ended December 31, 2017 totaled $3,384,051.

6. Due (To)/From Non-Controlled Affiliated Organizations

(a) Management Fee

Certain administrative services are provided by AHRC Nassau, a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which CSSC incurred management fees of $150,000 for the year ended December 31, 2017.

(b) Rental Income

For the year ended December 31, 2017, rental income earned from various organizations was as follows:

Year ended December 31, 2017	
AHRC Nassau	$1,985,404
BCCS	1,362,995
Citizens	1,454,058
Advantage Care	26,835
	$4,829,292

(c) Tri-Party Agreement

On December 28, 2012, AHRC Nassau and Nassau Community Mental Retardation Services Company, Inc. ("NCMRS") entered into a tri-party agreement ("Tri-Party Lease") with CSSC. The Tri-Party Lease provided for CSSC's purchase of the corresponding receivable held by AHRC Nassau from NCMRS. NCMRS has a payable to CSSC in connection with the Tri-Party Lease for the December 28, 2012 LEAC Bonds Series G and K. The 2012 LEAC Bonds were established to refinance the outstanding debt of each of the Nassau County IDA Civic Facility Revenue Bond and the AHRC Nassau HSBC Line of Credit, of which the proceeds were used for improvements to the NCMRS property. As of December 31, 2017, the balance due to CSSC from NCMRS was approximately $893,000.

(d) Debt Forgiveness - Acquisition of Property

(i) AHRC Nassau paid for a portion of property acquisitions on behalf of Mental Retardation Community Services of Nassau County – Project III, Inc. ("MRCS III") in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. MRCS III realizes debt forgiveness commensurate with reimbursement amounts received by AHRC Nassau from OPWDD. The debt forgiveness amounted to $78,782 for the year ended December 31, 2017.

In accordance with a January 2012 agreement between AHRC Nassau, MRCS III and CSSC, the debt owed by MRCS III to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS III will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $676,944.

(ii) AHRC Nassau paid for a portion of property acquisitions on behalf of Mental Retardation Community Services of Nassau County – Project IV, Inc. ("MRCS IV") in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. AHRC Nassau forgives a portion of the debt due from MRCS IV as it receives reimbursement from

OPWDD and MRCS IV records a forgiveness of debt accordingly. The debt forgiveness amounted to $64,757 for the year ended December 31, 2017.

In accordance with a December 2014 agreement between AHRC Nassau, MRCS IV and CSSC, the debt owed by MRCS IV to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS IV will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $552,965. For the year ended December 31, 2017, MRCS IV paid a portion of this debt in the amount of $100,000, in addition to the debt forgiveness.

(e) Guarantees of Obligations

(i) CSSC unconditionally guarantees a Nassau County IDA bond financing agreement entered into by Advantage Care. At December 31, 2017, the outstanding balance carried by Advantage Care was $1,395,000. At December 31, 2017, Advantage Care was not in default of the scheduled bond payments.

(ii) CSSC unconditionally guarantees a lease agreement entered into by BCCS over the next ten years with minimum aggregate payments due of approximately $12,600,000. As of December 31, 2017, BCCS was not in default of the terms of the lease agreement.

(iii) CSSC unconditionally guarantees separate revolving lines of credit agreements for each of Citizens and BCCS, each in the amount of $2.0 million. As of December 31, 2017, there were no amounts outstanding under these agreements and there were no defaults under the terms of these agreements.

7. Line of Credit

As of December 31, 2017, CSSC has a secured revolving bank line of credit with HSBC Bank, under which a maximum amount of $5.0 million can be borrowed. The line of credit agreement requires that CSSC comply with certain financial covenants. CSSC was in compliance with its financial covenants as of December 31, 2017. The line of credit bears interest at the prevailing prime rate (such rate being 4.50% at December 31, 2017). The line of credit is to be used to fund the acquisition of property and/or renovation of residences approved by OPWDD and the New York State Education Department, as applicable. The line of credit is secured by the assets of CSSC and guaranteed by each of BCCS, Citizens and the Foundation (collectively, the "Guarantors"). As of December 31, 2017, there was $2,623,439 outstanding under this line of credit. The agreement expires on December 8, 2018 and may be renewed with the bank's approval.

8. Mortgages Payable

On February 23, 2012, CSSC entered into mortgage loans with HSBC Bank for two residential properties. The loans are payable in monthly installments of $9,073 at interest rates of 4.17% and 4.19% per annum for each of these properties which mature in February 2025 and May 2025, respectively.

CSSC has entered into loan agreements with FDC, acting by and through its agent, the Commissioner of OPWDD and its successors. The loans are secured by four residential properties. The loans bear interest at rates ranging from 3.33% to 7.82% and are payable in semi-annual installments through varying dates from February 2016 to February 2021.

Future minimum annual principal payments for the year ended December 31, 2017 are as follows:

Year ending December 31,	
2018	$ 314,638
2019	247,477
2020	204,364
2021	118,977
2022	96,723
Thereafter	237,969
	$1,220,148

9. Bonds Payable

On December 30, 2014, CSSC entered into a loan agreement with Israel Discount Bank ("IDB"), in the aggregate amount of $12,763,000. IDB purchased and holds bonds pursuant to a bond purchase agreement by and between IDB and Bank of New York Mellon as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreement consists of a series of four bonds, referred to as 2014 LEAC Bonds Series A through D. Proceeds from the bond purchase agreement were used by CSSC to refinance years 2007 and 2006 IDA bonds of $10.2 million, to purchase and/or renovate four new projects of $2.1 million and $500,000 to pay loan closing costs. The 2014 LEAC Bonds mature at varying dates from December 1, 2021 through January 1, 2030 with interest rates ranging from 2.35% to 4.50%. Series A through C bonds are tax-exempt bonds and Series D is a taxable bond.

Future minimum annual principal payments for the year ended December 31, 2017 are as follows:

Year ending December 31,	
2018	$1,560,000
2019	1,585,000
2020	1,625,000
2021	1,485,000
2022	805,000
Thereafter	1,185,000
	8,245,000
Less: Unamortized balance of deferred financing costs	(243,468)
	$8,001,532

On December 28, 2012, CSSC entered into loan agreements aggregating $31,299,000. These agreements consist of a separate agreement with each of two banks, TD Bank and IDB, with substantially identical terms in the amounts of $19,559,000 and $11,740,000, respectively. Each bank purchased and holds bonds pursuant to separate bond purchase agreements by and between each bank and U.S. Bank, NA, as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreements consist of a series of thirteen bonds, referred to as 2012 LEAC Bonds Series A through M. Proceeds from the bond purchase agreement were used by CSSC to refinance then existing long-term debt of $22.6 million, to purchase and/or renovate three new projects for $6.5 million, and $2.2 million to pay loan closing costs. The 2012 LEAC Bonds mature at varying dates from April 1, 2015 through June 1, 2027 with interest rates ranging from 1.81% to 4.25%. Series A through L bonds are tax-exempt bonds and Series M is a taxable bond. The bond proceeds were deposited into bond funds held by U.S. Bank, which were used for purchase and renovations of the respective facilities and debt service repayments. U.S. Bank has a lien on, and security interest in, the facilities, property, equipment and furnishings in addition to the rents, issues and profits generated by the facilities.

Future minimum annual principal payments for the year ended December 31, 2017 are as follows:

Year ending December 31,	
2018	$ 2,184,000
2019	2,151,000
2020	2,212,000
2021	2,284,000
2022	2,354,000
Thereafter	3,848,000
	15,033,000
Less: Unamortized balance of deferred financing costs	(662,141)
	$14,370,859

The 2014 LEAC Bonds and the 2012 LEAC Bonds are subject to certain covenants. CSSC, along with the Foundation, Advantage Care, AHRC Nassau, BCCS and Citizens (collectively, the "Institution") must maintain a specified debt service coverage ratio, a specified amount of unrestricted liquid net assets, and CSSC, together with the Foundation, BCCS, Citizens, and LCDX, must deposit and maintain a specified average balance with each lender measured semi-annually on the last day of the second fiscal quarter and on the last day of each fiscal year. The Institution is in compliance with these covenants as of December 31, 2017.

10. Commitments and Contingencies

Legal Matters

CSSC is a party to certain routine legal actions and complaints arising in the ordinary course of business. Management is unable to determine at this time the likelihood of the outcomes. In the opinion of management, all such matters are adequately covered by insurance.

11. Subsequent Events

CSSC has evaluated subsequent events through May 25, 2018, the date the financial statements were available for issuance. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

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Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Financial Statements
and Supplementary Information
Year Ended December 31, 2019

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2019

Nassau County AHRC Foundation, Inc. and Affiliates

Contents

BDO

Tel: 212-371-4446
Fax: 212-371-9374
www.bdo.com

622 Third Avenue, Suite 3100
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Nassau County AHRC Foundation, Inc. and Affiliates
Brookville, New York

We have audited the accompanying consolidated financial statements of Nassau County AHRC Foundation, Inc. and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 these consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

BDO

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nassau County AHRC Foundation, Inc. and Affiliates as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidated financial statements of Nassau County AHRC Foundation, Inc. and Affiliates, and our report dated June 21, 2019 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

The consolidating information is presented for purposes of additional analysis for the consolidated financial statements rather than to present the financial position, results of operations, and cash flows 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 to 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 to other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

August 5, 2020

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statement of Financial Position
(with comparative totals for 2018)

December 31,	2019	2018
Assets		
Current		
Cash and cash equivalents	**$ 18,939,190**	$ 11,518,890
Investments, at fair value	**28,110,856**	25,115,104
Accounts receivable, net	**20,416,656**	17,495,403
Contributions receivable, net	**13,800**	35,155
Sales-type receivable, current portion	**1,221,974**	-
Prepaid expenses and other assets	**1,340,644**	1,250,695
Due from non-controlled affiliated organizations, current portion	**311,119**	318,452
Total Current Assets	**70,354,239**	55,733,699
Restricted Cash and Restricted Cash Equivalents	**19,686**	13,768
Due from Non-Controlled Affiliated Organizations, net of current portion	**1,419,279**	1,745,967
Assets Held for Specific Purpose	**749,781**	818,654
Sales-Type Receivable, net of current portion	**2,522,965**	-
Subvention Loan Receivable from Advantage Care Diagnostic and Treatment Center, Inc.	**730,726**	795,439
Deferred Charges	**79,087**	96,034
Computer Software, Net	**525,521**	718,783
Investment in Computer Software - Managed Care Organization	**746,480**	746,480
Programmatic Investment	**2,051,684**	2,051,684
Finance Lease Right-Of-Use-Assets, Net	**21,331,476**	-
Fixed Assets, Net	**16,827,589**	45,239,105
Total Assets	**$ 117,358,513**	$ 107,959,613

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statement of Financial Position (with comparative totals for 2018)

December 31,	2019	2018
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ **3,572,335**	$ 2,258,667
Accrued payroll and payroll related costs	**7,728,253**	5,655,562
Due to non-controlled affiliated organizations	**3,430,623**	2,599,488
Due to New York State OPWDD	**1,664,196**	588,744
Lines of credit	**5,146,273**	3,816,098
Finance lease liabilities, current portion	**1,141,511**	-
Mortgages payable, current portion	**204,364**	247,477
Bonds payable, current portion	**4,002,834**	3,929,333
Total Current Liabilities	**26,890,389**	19,095,369
Deferred Revenue	**165,607**	187,721
Reserve for Potential Liabilities	**4,482,118**	3,037,951
Finance Lease Liabilities, net of current portion	**6,966,601**	-
Mortgages Payable, net of current portion	**453,670**	658,033
Bonds Payable, net of current portion and deferred financing costs	**16,683,936**	20,478,323
Deferred Compensation Payable	**392,976**	391,516
Total Liabilities	**56,035,297**	43,848,913
Commitments and Contingencies		
Net Assets		
Without donor restrictions	**57,029,492**	60,015,963
With donor restrictions	**4,293,724**	4,094,737
Total Net Assets	**61,323,216**	64,110,700
Total Liabilities and Net Assets	**$ 117,358,513**	$ 107,959,613

See accompanying notes to consolidated financial statements.

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statement of Activities (with comparative totals for 2018)

Year ended December 31,	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Revenue				
Program service fees:				
Educational services	$ 45,044,809	$ -	**$ 45,044,809**	$ 43,519,730
Residential services	21,591,164	-	**21,591,164**	19,704,931
Intermediate care facility services	27,114,195	-	**27,114,195**	18,779,941
Camp Loyaltown	5,243,786	-	**5,243,786**	4,920,879
Medicaid service coordination	-	-	**-**	1,051,166
Crisis respite services	554,140	-	**554,140**	554,921
Family support services	341,764	-	**341,764**	314,315
Self-direction	1,206,329	-	**1,206,329**	680,877
Total Program Service Fees	101,096,187	-	**101,096,187**	89,526,760
Rental income	60,447	-	**60,447**	1,780,683
Contributions	702,174	236,476	**938,650**	1,107,466
Service fees	3,911,152	-	**3,911,152**	1,041,351
Government grants	1,097,165	-	**1,097,165**	1,043,334
Special events, net of direct expense of $107,388	526,240	-	**526,240**	588,038
Interest income	331,056	-	**331,056**	
Other revenue	259	-	**259**	19,628
Net assets released from restrictions	132,787	(132,787)	**-**	-
Total Revenue	107,857,467	103,689	**107,961,156**	95,107,260
Expenses				
Program expenses:				
Educational services	43,559,677	-	**43,559,677**	41,070,858
Residential services	20,009,233	-	**20,009,233**	17,334,219
Intermediate care facility services	25,486,979	-	**25,486,979**	17,988,543
Camp Loyaltown	4,276,308	-	**4,276,308**	3,777,199
Medicaid service coordination	-	-	**-**	966,356
Crisis respite services	611,078	-	**611,078**	659,815
Family support services	392,811	-	**392,811**	366,757
Self-direction	1,292,965	-	**1,292,965**	694,574
Other	2,315,397	-	**2,315,397**	4,458,979
Total Program Services Expenses	97,944,448	-	**97,944,448**	87,317,300

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statement of Activities
(with comparative totals for 2018)

Year ended December 31,

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Expenses (Continued)				
Supporting services:				
Management fee	$ 5,057,616	$ -	**$ 5,057,616**	$ 4,000,851
Management and general	2,550,405	-	**2,550,405**	2,373,659
Fundraising - contracted services	136,742	-	**136,742**	104,579
Professional services	538,701	-	**538,701**	844,608
Total Supporting Services Expenses	8,283,464	-	**8,283,464**	7,323,697
Total Expenses	106,227,912	-	**106,227,912**	94,640,997
Operating Income	1,629,555	103,689	**1,733,244**	466,263
Non-Operating Activity				
Investment income (loss), net	5,226,405	-	**5,226,405**	(1,153,652)
Interest and other income	231,762	-	**231,762**	236,564
Total Non-Operating Income (Loss)	5,458,167	-	**5,458,167**	(917,088)
Change in Net Assets, before transfer of assets and loss on change in accounting principle	7,087,722	103,689	**7,191,411**	(450,825)
Transfer of Assets	-	95,298	**95,298**	-
Loss on Change in Accounting Principle	(10,074,193)	-	**(10,074,193)**	-
Change in Net Assets	(2,986,471)	198,987	**(2,787,484)**	(450,825)
Net Assets, beginning of year	60,015,963	4,094,737	**64,110,700**	64,561,525
Net Assets, end of year	$ 57,029,492	$ 4,293,724	**$ 61,323,216**	$ 64,110,700

See accompanying notes to consolidated financial statements.

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Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statement of Functional Expenses
(with comparative totals for 2018)

Year ended December 31,

	Program Services									Supporting Services					Total	
	Educational Services	Residential Services	Intermediate Care Facility Services	Camp Loyaltown	Crisis Respite Services	Family Support Services	Self-Direction	Other	Total Program Services	Management Fee	Management and General	Fundraising - Contracted Services	Professional Services	Total Supporting Services	**2019**	2018
Salaries	$ 25,176,389	$ 11,629,109	$ 14,819,791	$ 1,526,162	$ 333,517	$ 124,171	$ 472,341	$ -	$ 54,081,480	$ -	$ 949,091	$ -	$ -	$ 949,091	**$55,030,571**	$ 49,851,194
Payroll taxes	1,859,708	1,251,776	1,726,849	180,474	38,979	14,642	55,689	-	5,128,117	-	70,949	-	-	70,949	**5,199,066**	4,495,511
Employee health and retirement benefits	7,040,865	2,572,314	2,773,308	288,042	63,202	23,509	89,418	-	12,850,658	-	267,047	-	-	267,047	**13,117,705**	12,837,317
Total Personnel Services	34,076,962	15,453,199	19,319,948	1,994,678	435,698	162,322	617,448	-	72,060,255	-	1,287,087	-	-	1,287,087	**73,347,342**	67,184,022
Other Expenses																
Professional fees and contracted services	2,405,691	903,501	1,377,788	536,846	32,348	46,778	207,504	1,030,787	6,541,243	-	289,331	6,223	538,701	834,255	**7,375,498**	4,377,924
Rent	134,857	54,556	419,465	352,147	11,070	808	339,051	-	1,311,954	-	-	-	-	-	**1,311,954**	2,573,414
Telephone	121,037	19,577	-	-	-	-	-	-	140,614	-	-	-	-	-	**140,614**	136,298
Transportation and travel	147,825	164,440	176,525	143,497	4,282	5,916	40,008	-	682,493	-	644	1,828	-	2,472	**684,965**	544,610
Repairs and maintenance	1,686,123	452,037	425,113	198,364	12,029	3,644	16,549	-	2,793,859	-	-	-	-	-	**2,793,859**	2,135,838
Equipment and vehicles	243,990	116,379	158,542	47,235	3,940	147	669	-	570,902	-	3,962	-	-	3,962	**574,864**	459,408
Staff training and dues and subscriptions	206,113	58,335	88,851	91,329	2,670	1,374	4,988	-	453,660	-	27,824	-	-	27,824	**481,484**	463,286
Supplies	588,375	322,958	580,986	138,396	8,931	2,679	4,389	-	1,646,714	-	80	16,075	-	16,155	**1,662,869**	1,360,664
Food	9,112	440,777	352,779	303,060	16,962	5,273	603	-	1,128,566	-	48	-	-	48	**1,128,614**	950,334
Participant incidentals	11,460	220,244	223,079	132,296	1,561	56,853	12,448	-	657,941	-	-	-	-	-	**657,941**	494,165
Insurance	272,523	272,528	233,912	57,129	10,029	3,822	16,613	-	866,556	-	46,098	-	-	46,098	**912,654**	880,863
Interest expense	283,838	13,594	2,012	1,175	-	-	-	1,022,092	1,322,711	-	36,228	-	-	36,228	**1,358,939**	940,549
Recruitment	38,805	23,766	-	-	-	-	-	-	62,571	-	-	-	-	-	**62,571**	71,032
Depreciation and amortization	2,366,281	960,251	469,130	143,509	58,979	686	8,210	193,262	4,200,308	-	8,529	-	-	8,529	**4,208,837**	4,475,900
Utilities	405,648	216,506	220,289	111,517	12,322	1,518	20,845	-	988,645	-	-	-	-	-	**988,645**	936,042
New York State Health Facility Assessment	-	298,046	1,418,174	-	-	-	-	-	1,716,220	-	-	-	-	-	**1,716,220**	1,287,422
Fees, licenses and permits	-	9,199	11,817	5,867	92	100,861	321	-	128,157	-	92,036	3,384	-	95,420	**223,577**	215,547
Grants	-	-	-	-	-	-	-	69,000	69,000	-	-	-	-	-	**69,000**	95,000
Special events	-	-	-	-	-	-	-	-	-	-	-	78,595	-	78,595	**78,595**	71,394
Miscellaneous	97,037	9,340	8,569	19,263	165	130	3,319	256	138,079	-	758,538	30,637	-	789,175	**927,254**	527,434
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	100,000
Provision for contingencies	464,000	-	-	-	-	-	-	-	464,000	-	-	-	-	-	**464,000**	359,000
Management fees	-	-	-	-	-	-	-	-	-	5,057,616	-	-	-	5,057,616	**5,057,616**	4,000,851
Total Other Expenses	9,482,715	4,556,034	6,167,031	2,281,630	175,380	230,489	675,517	2,315,397	25,884,193	5,057,616	1,263,318	136,742	538,701	6,996,377	**32,880,570**	27,456,975
Total Expenses	$ 43,559,677	$ 20,009,233	$ 25,486,979	$ 4,276,308	$ 611,078	$ 392,811	$ 1,292,965	$ 2,315,397	$ 97,944,448	$ 5,057,616	$ 2,550,405	$ 136,742	$ 538,701	$ 8,283,464	**$106,227,912**	$ 94,640,997

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Cash Flows
(with comparative totals for 2018)

December 31,	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ **(2,787,484)**	$ (450,825)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**4,208,837**	4,475,900
Interest expense related to deferred financing costs	**205,608**	198,528
Realized gains on investments	**(1,234,724)**	(1,608,921)
Unrealized (gains) losses on investments	**(3,364,372)**	3,380,607
Loss on change in accounting principle	**10,074,193**	-
Provision for bad debt	**-**	100,000
Realized loss on sale of fixed assets	**-**	17,292
Costs of issuance	**-**	(539,566)
(Increase) decrease in assets:		
Accounts receivable	**(2,921,253)**	(6,817,421)
Contributions receivable	**21,355**	(3,330)
Sales-type lease receivable	**1,380,900**	
Accrued interest receivable	**5,569**	(2,736)
Prepaid expenses and other assets	**(95,518)**	(212,651)
Due from non-controlled affiliated organizations	**334,021**	266,400
Deferred charges	**16,947**	16,947
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**1,313,668**	(292,043)
Accrued payroll and payroll related costs	**2,072,691**	(134,414)
Reserve for potential liabilities	**1,444,167**	1,607,672
Due to non-controlled affiliated organizations	**831,135**	457,828
Due to New York State OPWDD	**1,075,452**	277,737
Deferred revenue	**(22,114)**	(47,041)
Net Cash Provided by Operating Activities	**12,559,078**	689,963
Cash Flows from Investing Activities		
Purchases of fixed assets	**(3,007,227)**	(3,246,709)
Proceeds received from sale of fixed assets	**-**	136,071
Proceeds received for repayment of subvention loan receivable	**64,713**	67,250
Purchases of investments	**(8,240,394)**	(5,589,996)
Proceeds from sale of investments	**9,843,738**	5,301,383
Net Cash Used in Investing Activities	**(1,339,170)**	(3,332,001)
Cash Flows from Financing Activities		
Proceeds from lines of credit	**3,180,175**	5,094,705
Repayments on line of credit	**(1,850,000)**	(3,902,046)
Principal payments made on mortgages payable	**(247,476)**	(314,638)
Proceeds from bonds payable	**-**	6,200,303
Principal payments made on bonds payable	**(3,926,494)**	(3,824,000)
Principal payments made on finance lease liabilities	**(1,020,228)**	-
Changes in assets held for specific purpose	**70,333**	(309,382)
Net Cash (Used in) Provided by Financing Activities	**(3,793,690)**	2,944,942
Change in Cash and Cash Equivalents	**7,426,218**	302,904
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, beginning of year	**11,532,658**	11,229,754
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, end of year	$ **18,958,876**	$ 11,532,658
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ **1,646,921**	$ 700,259
Cash paid for taxes	**29,286**	-
Acquisition of property through finance leases	**9,128,340**	-
Investment in assets leased through sales-type leases	**5,125,839**	-

See accompanying notes to consolidated financial statements.

1. Description of Organization and Principles of Consolidation

Nature of Operations

Nassau County AHRC Foundation, Inc. (AHRC Foundation) is a fundraising and grant-making not-for-profit corporation that supports programs to benefit children and adults who have an intellectual and/or developmental disability. AHRC Foundation is a primary source of philanthropic support for its related entities, Brookville Center for Children's Services, Inc. (BCCS) and Citizens Options Unlimited, Inc. (Citizens Options), in addition to providing grant awards to non-controlled entities, such as NYSARC, Inc. Nassau County Chapter (AHRC Nassau), Advantage Care Diagnostic & Treatment Center, Inc. (Advantage Care) and other community-based not-for-profit organizations. AHRC Foundation's primary support is derived from contributions and special events.

Controlled Entities

AHRC Foundation is the sole member of Community Services Support Corporation (CSSC), Citizens Options, BCCS, Life Care Data Exchange, LLC (LCDX) and Metropolitan Community Partners, Inc. (MCP). Accordingly, members of AHRC Foundation's Board of Directors have authority to approve changes to CSSC, Citizens Options, BCCS, LCDX and MCP by-laws and may appoint members of their Board of Directors.

BCCS is a not-for-profit organization that provides educational services to children with intellectual and other developmental disabilities and day care services for children in five locations in Nassau County, New York. BCCS serves over 1,000 children from the ages of birth through 21 years of age in classroom and home-based environments by offering developmentally appropriate, child-centered activities and providing opportunities for hands-on integrated learning through real-life experiences. BCCS also provides child care services in its day care programs. BCCS is licensed by the New York State Education Department (SED), as well as the New York State Office for People with Developmental Disabilities (OPWDD). BCCS is supported primarily by tuition fees paid by Nassau County, New York City Board of Education (NYCBOE) and local school districts. In addition, BCCS obtains grant funding through the Individuals with Disabilities in Education Act (IDEA). BCCS also operates a Children's Residential Program (CRP), which is funded by OPWDD. The program provides residential services in four locations to 25 children diagnosed with autism who attend BCCS' school-age programs.

Citizens Options provides individualized residential alternative services (IRA), residential respite services, intermediate care facility services (ICF) and family support services for people with intellectual and other developmental disabilities. Additionally, Citizens Options operates Camp Loyaltown in Hunter, New York, a respite program providing services to children and adults with developmental disabilities. Citizens Options has its own Board of Directors, which is responsible for its governance. Citizens Options is supported primarily by service fees paid by various New York state and local government agencies. Effective July 20, 2019, Citizens Options assumed program operations, via a change in auspice, with annual revenue of approximately $18 million from another agency consisting of one ICF in Shoreham, New York. Citizens Options continually pursues growth opportunities to expand its program services.

Citizens Options is the sole member of MRCS V, Inc. (MRCS V), a not-for-profit organization. Its purpose is to operate and maintain two residences, located in Commack and Greenlawn, New York, for 12 developmentally disabled adults. MRCS V became operational in September 2016. Funding is derived primarily from rental fees paid by tenants and the United States Department of Housing and

Urban Development (HUD) under Section 811 of the National Affordable Housing Act, Supportive Housing for Persons with Disabilities. Citizens Options appoints the Board of Directors of MRCS V.

CSSC holds title to and maintains properties for various programs, such as residential facilities, for the developmentally disabled, operated by AHRC Nassau, Citizens Options, BCCS and Advantage Care. Revenues are derived mainly from the rental of these facilities.

LCDX became operational in January 2015 for the purpose of investing in development of care coordination software for licensing to third-party service providers to developmentally disabled persons. LCDX is a single-member LLC.

MCP was established in October 2017 to help facilitate the provision of services to persons with intellectual and developmental disabilities through the combination of services with other not-for-profit entities throughout the metropolitan New York City area and New York State. MCP is not yet active. As such, there is no activity to report as of and for the year ended December 31, 2019.

The accompanying consolidated financial statements include the accounts of AHRC Foundation, BCCS, the consolidated accounts of Citizens Options and MRCS V (collectively, Citizens), CSSC and LCDX (collectively, the Foundation). All intercompany transactions and balances have been eliminated in the consolidated financial statements.

Non-Controlled Affiliated Organizations

AHRC Nassau

AHRC Nassau is one of 48 New York state county chapters of The Arc New York (formerly known as NYSARC, Inc.). The Arc New York is a membership corporation formed in 1949 for all county chapters. AHRC Nassau is governed by its own Board of Directors and is operated under guidelines promulgated by The Arc New York. AHRC Nassau provides residential, day habilitation, vocational and other services to individuals with developmental disabilities in Nassau County, New York. AHRC Nassau is supported primarily by service fees paid by various New York State agencies and government grants.

Certain administrative services are provided to the Foundation by AHRC Nassau, a non-controlled affiliated organization. These services are provided by AHRC Nassau to the AHRC Foundation's related entities pursuant to the terms of corporate and administrative services agreements and include, but are not limited to, leadership consulting, purchasing, accounts payable, payroll, human resources, accounting, budgeting and financial reporting.

Advantage Care

Advantage Care is a Federally Qualified Health Center (FQHC) that provides medical and mental health services in facilities located in Brookville and Freeport, NY.

Certain fundraising activities and related support are provided to Advantage Care by the Foundation. Advantage Care also leases approximately 10,300 square feet in its Brookville, NY location from CSSC.

The accounts of AHRC Nassau and Advantage Care are not included in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting. In the consolidated statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets—with donor restrictions and without donor restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Without Donor Restrictions – This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of the Foundation.

With Donor Restrictions – This class consists of net assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature), while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy. At December 31, 2019, the Foundation has net assets with donor restrictions held in perpetuity of $95,298. See Note 22 for further discussion of net assets with donor restrictions held in perpetuity.

Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (ASU 2016-18). ASU 2016-18 requires entities to show the changes in the total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the consolidated statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2018. The Foundation has adopted this ASU for the year ended December 31, 2019.

For purposes of the consolidated statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

MRCS V maintains replacement reserve accounts, as required by HUD, for future repairs and maintenance. Distributions may be made from the reserve account only upon approval by HUD. As of December 31, 2019, the funds were invested in interest-bearing savings accounts. These restricted deposits and funded reserves have been included in restricted cash and restricted cash equivalents on the consolidated statement of financial position.

Cash, cash equivalents, restricted cash and restricted cash equivalents consist of the following:

December 31, 2019	
Cash and cash equivalents	$ 18,939,190
Restricted cash and restricted cash equivalents	19,686
	$ 18,958,876

Fair Value Measurement

Accounting Standards Codification (ASC) 820, *Fair Value Measurement,* establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are those that market participants operating within the same marketplace as the Foundation would use in pricing the Foundation's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Foundation are traded. The Foundation estimates the price of any asset or liability for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets or liabilities would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Investments, at Fair Value

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the consolidated statement of activities as increases or decreases in net assets without donor restrictions.

Accounts Receivable, Net

Accounts receivable, net, are recorded at the reimbursable amount and do not bear interest. In evaluating the collectability of accounts receivable, the Foundation analyzes its past history and identifies trends for each of its major payor sources to estimate the appropriate allowance for credit losses and provision for bad debts. Management regularly reviews data about these major payor sources in evaluating the sufficiency of the allowance for credit losses. Actual results could differ from those estimates.

Fixed Assets, Net

Fixed assets, net, are recorded at cost, less accumulated depreciation. The Foundation capitalizes fixed assets that have a cost of $5,000 or more and useful life of more than a year. Depreciation and amortization is recorded over the estimated useful lives of the assets by the straight-line method for financial reporting, as follows:

	Years
Building and leasehold improvements	5-25
Equipment	3-25

Leasehold improvements are amortized over the shorter of their useful lives or the remainder of the lease period.

Maintenance and repairs are charged to operations when incurred. When fixed assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Fixed assets purchased in starting up certain Medicaid-funded programs are funded up to approved amounts by OPWDD over a 60-month period, in accordance with a rate notice issued by OPWDD. The amortization of fixed assets is consistent with the funding period. The Foundation records a deferred charge equal to the net future reimbursement it expects to realize in the operation of its programs. The deferred charge is amortized over the period of reimbursement. The Foundation expenses all non-reimbursable start-up costs.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2019, there have been no such losses.

Revenue Recognition

Program Service Fees

Program service fee revenue is generated from services provided to people with developmental disabilities, mental health services, and other services. These amounts are due from third-party payors (including government programs and health insurers) and others, and include an estimate for variable consideration for retroactive revenue adjustments due to rate changes, settlement of audits and disallowances, reviews and investigations. Generally, the Foundation submits per-diem claims to third-party payors electronically through a state-wide system several days after the services are performed.

Revenue is recognized as performance obligations are satisfied over time based on actual charges incurred in relation to total expected (or actual) charges. The Foundation measures revenue from the commencement of services to the continuation of services, and until services are no longer required. The Foundation believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

As substantially all of its performance obligations relate to established rate agreements with a duration of less than one year, the Foundation has elected, as part of their adoption of the revenue standard, to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Throughout the year, rates may vary as determined by New York state, and the Foundation will record additional revenue resulting from a rate increase and record a reduction of revenue with a rate decrease. These rate adjustments represent variable consideration in the form of explicit or implicit price concessions and the Foundation considers these amounts in determination of the transaction price. The Foundation determines its estimates of contractual adjustments based on contractual agreements, its policies and historical experience. The Foundation determines its estimates of explicit or implicit price concessions based on its historical collection experience.

Laws and regulations governing Medicaid programs are 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. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from Medicaid programs. The Foundation is not aware of any allegations of noncompliance that could have a material adverse effect on the accompany consolidated financial statements and believes that it is in compliance with all applicable laws and regulations.

As a practical expedient, the Foundation utilizes the portfolio approach for analyzing the revenue contracts in accordance with Topic 606. The Foundation accounts for the contracts within each portfolio collectively, rather than individually, based on each revenue stream. The Foundation considers the similar nature and characteristics of the contract and customers in using the portfolio approach. The Foundation believes that the use of the portfolio approach to analyze contracts will not differ materially than if the contracts were analyzed individually.

The following table shows the Foundation's program service fee revenue disaggregated by payor:

Year ended December 31, 2019	
Medicaid	$ 34,744,406
New York City, Nassau and Suffolk County Boards of Education	28,149,283
Third-party payor	16,459,753
Various school districts	14,653,764
Private pay	3,322,096
OPWDD	1,819,325
Social Security Administration	1,267,572
Other	679,988
	$ 101,096,187

Contributions

Contributions and promises to give are recorded as revenue at the time they are made or pledged unconditionally and supported by a written commitment. Contributions are classified as either with or without donor restrictions. Contributions are nonexchange transactions in which no commensurate value is exchanged. Therefore, contributions fall under the purview of ASC Topic 958, *Not-for-Profit Entities*.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Rental Income

MRCS V's revenue is derived principally from the renting of apartments under one-year operating leases to eligible, very-low-income individuals. Tenant rental fees are supplemented by tenant assistance payments from HUD under a Housing Assistance Payment Contract, which is renewed annually. Rental income for MRCS V is recognized as earned and when housing is provided to individuals each month.

CSSC's revenue is derived principally from the renting of various properties under operating and sales-type leases. For operating leases, rental income is recognized as earned and when housing is provided to individuals each month. For sales-type leases, interest income is recognized as earned.

Functional Allocation of Expenses

The majority of expenses can generally be directly identified with program or supporting services to which they relate and are allocated accordingly. Other expenses have been allocated among program and supporting service classifications. These expenses include depreciation and amortization, utilities, information technology and facilities operations and maintenance. Depreciation and amortization is allocated based on square footage and interest expense is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort.

Endowment

The Foundation follows the provisions of ASC 958, *Not-for-Profit Entities,* related to enhanced disclosures for all endowment funds. The Foundation has also adopted provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA), which was enacted by the state of New York on September 17, 2010. Specifically, the Foundation classifies the portion of the endowment funds that is not classified as with donor restrictions (time-restricted) until appropriated for expenditure by the Foundation. If the endowment fund is also subject to a purpose restriction, the reclassification of the appropriated amount to without donor restrictions does not occur until the purpose also has been met.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist primarily of cash and cash equivalents. At times, the Foundation has cash deposits at financial institutions that exceed the Federal Deposit Insurance Corporation insurance limits. These financial institutions have strong credit ratings, and management believes that credit risk related to these accounts is minimal.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Income Taxes

The Foundation is incorporated in the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for federal or state income taxes is required. There was no unrelated business income from an unrelated trade or business for the year ended December 31, 2019.

The Foundation adopted the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes.* Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on the Foundation's consolidated financial statements. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed Internal Revenue Service (IRS) Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2019, there were no interest or penalties recorded or included in the consolidated statement of activities. The Foundation is subject to routine audits by taxing authorities. As of December 31, 2019, the Foundation was not subject to any examination by a taxing authority.

Nassau County AHRC Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information. With respect to the consolidated statement of financial position, consolidated statement of activities and consolidated statement of functional expenses, the prior-year information is presented in total, not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Risks and Uncertainties

The Foundation's investments are concentrated in marketable equity securities and funds that invest in marketable equity securities. Such securities are subject to various risks that determine the value of the funds. Due to the level of risk associated with certain equity securities and the level of uncertainty related to changes in the value of these securities, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the consolidated financial statements.

Recently Adopted Authoritative Guidance

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14, which deferred the effective date for the Foundation until annual periods beginning after December 15, 2018. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The standard was adopted by the Foundation in the year ended December 31, 2019.

In February 2016, the FASB issued ASU 2016-02, *Accounting for Leases,* which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statements, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for the Foundation for the fiscal year beginning after December 15, 2018. The standard was adopted by the Foundation in the year ended December 31, 2019.

Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements in order to conform to the 2019 presentation.

3. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

December 31, 2019	
Total Current Assets	$ 70,354,239
Less: amounts unavailable for general expenditures within one year, due to:	
Prepaid expenses and other current assets	(1,340,644)
Restricted by donor with time or purpose restrictions	(4,293,724)
Total Financial Assets Available to Management for General Expenditure Within One Year	$ 64,719,871

Liquidity Management

As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management continually evaluates the timing of estimated collections of accounts receivable and manages cash disbursement to ensure the availability of cash to meet its operating needs. Additionally, the Foundation has three lines of credit available totaling $9 million from which to draw down upon, of which $3,853,727 was unused as of December 31, 2019.

4. Investments, at Fair Value

Investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Foundation's policies regarding this hierarchy.

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. A description of the valuation techniques applied to the Foundation's assets measured at fair value are as follows:

Common Stocks, Stock Index Mutual Funds, and International Stocks – These investments are carried at their aggregate market value, as determined by quoted market prices. These investments are classified as Level 1.

Mutual Funds – The Foundation has investments in publicly traded mutual funds, which are carried at their aggregate market value, as determined by quoted market prices. These investments are classified as Level 1. Additionally, the Foundation has investments in non-publicly traded mutual funds, which are carried at the aggregate market value, as determined by the fund manager. These investments are classified as Level 2.

Government Securities – These investments are priced by the investment managers using nationally recognized pricing services. These investments are classified as Level 2.

Limited Partnership and Institutional Equities Fund – Given the absence of market quotations, the fair value of these investments is estimated using information provided to the Foundation by the fund managers. The values are based on estimates that require varying degrees of judgment and are primarily based on financial data supplied by the fund managers. The financial statements of the funds are audited annually by nationally recognized firms of independent auditors. The Foundation does not directly invest in the underlying securities of the funds. These investments are classified as Level 3.

Investments at fair value are as follows:

December 31, 2019

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance
Common stocks	$ 8,318,662	$ -	$ -	$ 8,318,662
Stock index mutual funds	7,326,161	-	-	7,326,161
Mutual funds	1,757,131	3,955,742	-	5,712,873
International stocks	2,476,948	-	-	2,476,948
Government securities	-	1,439,099	-	1,439,099
Limited partnership	-	-	1,072,090	1,072,090
Institutional equities fund	-	-	1,765,023	1,765,023
	$ 19,878,902	$ 5,394,841	$ 2,837,113	$ 28,110,856

There have been no changes in the methodologies used at December 31, 2019. There were no changes between levels during the year ended December 31, 2019.

The table below sets forth a summary of changes in fair value of the Level 3 assets:

Year ended December 31, 2019	
Balance, beginning of year	$ 1,443,431
Contributions	1,348,878
Investment income, net	44,804
Balance, end of year	$ 2,837,113

Investment income, net, consists of the following:

Year ended December 31, 2019		
Interest and dividends	$	720,069
Unrealized gains		3,364,372
Realized gains		1,234,724
Direct investment expenses		(92,760)
	$	5,226,405

5. Accounts Receivable, Net

Accounts receivable, net, consist of the following:

December 31, 2019		
Educational services	$	9,943,458
Residential services		3,411,617
Intermediate care facility services		5,055,329
Camp Loyaltown		770,505
Crisis respite services		142,348
Family support services		143,764
Self-direction		251,442
Other		856,236
		20,574,699
Less: allowance for doubtful accounts		(158,043)
	$	20,416,656

6. Assets Held for Specific Purpose

As of December 31, 2019, assets held for specific purpose amounted to $749,781 and consisted of the following:

Debt Service Reserve Fund – This fund was established under the terms of the Dormitory Authority of New York State (DASNY) 2018 bonds, the Nassau County Industrial Development Agency (IDA) bonds and the 2014 and 2012 Nassau County Local Economic Assistance Corporation (LEAC) bonds and consists of cash and cash equivalents. As of December 31, 2019, the Debt Service Reserve Fund amounted to $356,805.

457(b) Plan – The Foundation and its related entities maintain non-qualified 457(b) deferred compensation plans (the Plans) for certain employees. Pursuant to the plan agreements, the Plans' assets are considered general assets of the Foundation until the assets are distributed to the respective beneficiaries. As a result, the Plans' net assets available for benefits of $392,976 as of December 31, 2019 are classified as components of assets held for specific purpose and deferred compensation payable in the consolidated statement of financial position.

7. Investment in and Loan Receivable from E-Works Electronics Services, Inc.

AHRC Foundation has an investment of $500,000 in E-Works Electronic Services, Inc. (EES), constituting a 50% interest in EES. EES operates an electronics recycling vocational program, which provides educational, training and employment opportunities for persons with developmental disabilities. At December 31, 2019, AHRC Foundation has a valuation allowance of $500,000 recorded. The remaining value of the investment at December 31, 2019 is $0.

Additionally, in November 2015, AHRC Foundation's Board of Directors authorized a working capital loan to EES not to exceed $500,000, subject to further negotiation of interest rate and other repayment terms. At December 31, 2019, AHRC Foundation has an allowance of $500,000 recorded. The remaining net loan receivable as of December 31, 2019 is $0.

8. Subvention Loan Receivable

In February 2014, the Foundation entered into a subvention loan agreement with Advantage Care. Under the terms of the subvention loan agreement, Advantage Care may borrow up to $1.1 million pursuant to a promissory note payable for a period of 15 years. Interest is payable monthly at the rate of $2/3$ of the maximum interest rate authorized from time to time pursuant to Section 5-501 of the New York General Obligations Law or 5.0% per annum, whichever is lower (such rate being 6% per annum for the year ended December 31, 2019). Proceeds from this loan were used for the new Freeport clinic construction, equipment, furniture and fixtures, in connection with development of Advantage Care to a full service, managed care supporting organization. Interest income for the year ended December 31, 2019 was $30,640. As of December 31, 2019, the subvention loan receivable amounted to $730,726.

9. Investment in Computer Software

The Foundation has an investment in proprietary software that is used for billing, operating systems and documentation standards in accordance with regulatory requirements, for support to third-party providers of services to developmentally disabled persons. As of December 31, 2019, there was $746,480 invested.

10. Programmatic Investment

Programmatic investment by its nature meets two distinct criteria: (i) its primary purpose is to further the tax-exempt objectives of the organization, and (ii) the production of income or appreciation of the investment is not a significant purpose for making this investment.

As of December 31, 2019, the Foundation has an investment of $2,051,684 in a managed care organization (the MCO). The MCO was developed by AHRC Nassau, together with four other chapters of The Arc New York in the New York city metropolitan area, to provide a broad range of support and services for people with developmental disabilities, in transition from a fee-for-service program model to a capitated, comprehensive care management model. In 2018, ADAPT Community Network (ADAPT) (formerly known as United Cerebral Palsy of New York City, Inc.) became a member of the Board of Directors of the MCO. In 2019, Building Solutions for Tomorrow, Inc. (BST) became a member of the Board of Directors of the MCO. The MCO operations commenced on April 1, 2016. The MCO consists of Partners Health Plan, Inc. (PHP), a New York not-for-profit corporation, the operating entity, which will serve as a health management organization (HMO) for payment of claims for the support and services delivered to developmentally disabled populations in the geographic regions of each chapter. PHP is a licensed HMO under Article 44 of the New York State Public Health Law and is approved by Centers for Medicare and Medicaid Services (CMS) as a Fully Integrated Duals Advantage (FIDA) provider. PHP is the obligor for repayment of the investment pursuant to a subordinated note payable to each of the chapters. The carrying value and recoverability of the investment in the MCO will be periodically evaluated over the course of its operations. No impairment has been identified and recorded as of December 31, 2019.

11. Fixed Assets, Net

Fixed assets, net, consist of the following:

December 31, 2019	
Land	$ 600,000
Buildings and leasehold improvements	18,029,015
Equipment	6,368,154
	24,997,169
Less: accumulated depreciation and amortization	(8,169,580)
	$ 16,827,589

Depreciation and amortization expense for the year ended December 31, 2019 related to fixed assets was $1,230,780.

12. Sales-Type Lease Receivable

As noted in Note 2, the Foundation adopted ASU 2016-02, *Leases (Topic 842)*, for the year ended December 31, 2019. As part of its adoption, the Foundation elected the practical expedient that permits an entity to not reassess whether expired or existing contracts contain leases. Additionally, the Foundation has elected to not recognize leases with terms of 12 months or less on the consolidated statement of financial position. Rental income for leases of 12 months or less for the year ended December 31, 2019 was $60,447.

Sales-type lease receivables are recognized based on the present value of the future minimum lease payments over the lease term at the lease commencement date.

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As discussed in Notes 1 and 13, CSSC rents various properties to AHRC Nassau and Advantage Care. These leases have been deemed to be sales-type leases under ASC 842. In 2019, CSSC recorded a sales-type lease receivable of $3,744,939 in the consolidated statement of financial position. The leases are for various durations through 2069. The leases require monthly payments of principal and interest at rates ranging from 3.25% to 8.25% per annum. Interest rates are based on rates that were explicitly stated in the lease agreement. In the event an interest rate is not explicitly stated in the lease agreement, CSSC used the incremental borrowing rate based on the information available at the lease inception date in determining the present value of future payments. The incremental borrowing rate is defined as interest CSSC would pay to borrow on a collateralized basis. The following is a schedule of future minimum lease receipts, including interest, under the term of the leases, together with the present value of the net minimum lease receipts, as of December 31, 2019.

Year ending December 31,	
2020	$ 1,357,896
2021	1,064,041
2022	861,724
2023	479,157
2024	131,994
Thereafter	165,561
Total Minimum Lease Receipts	4,060,373
Less: amounts representing interest	(315,434)
Present Value of Net Minimum Lease Receipts	3,744,939
Less: current portion	(1,221,974)
	$ 2,522,965

Interest income for the year ended December 31, 2019 on sales-type lease receivables was $193,362 and is included as a component of interest income in the consolidated statement of activities. Upon adoption of the ASU, CSSC recorded a loss on change in accounting principle of $10,074,193 for the removal of the leased assets.

13. Due from (to) Non-Controlled Affiliated Organizations

Management Fee

Certain administrative services are provided by AHRC Nassau, a non-controlled affiliated organization, for which the Foundation and its related entities incurred management fees of approximately $5,058,000 for the year ended December 31, 2019.

Rental Income - Operating Leases

Rental income earned from non-controlled affiliated organizations was as follows:

Year ended December 31, 2019	
AHRC Nassau	$ 18,600

Interest Income – Sales-Type Leases

Interest income earned under sales-type leases and included as a component of interest income in the consolidated statement of activities from non-controlled affiliated organizations was as follows:

Year ended December 31, 2019		
AHRC Nassau	$	191,165
Advantage Care		2,197
	$	193,362

Tri-Party Agreement

On December 28, 2012, AHRC Nassau and Nassau Community Mental Retardation Services Company, Inc. (NCMRS) entered into a tri-party agreement (Tri-Party Lease) with CSSC. The Tri-Party Lease provided for CSSC's purchase of the corresponding receivable held by AHRC Nassau from NCMRS. NCMRS has a payable to CSSC in connection with the Tri-Party Lease for the December 28, 2012 LEAC Bonds Series G and K. The 2012 LEAC Bonds were established to refinance the outstanding debt of each of the Nassau County IDA Civic Facility Revenue Bond and the AHRC Nassau HSBC Line of Credit, of which the proceeds were used for improvements to the NCMRS property. As of December 31, 2019, the balance due to CSSC from NCMRS was approximately $693,000.

Debt Forgiveness - Acquisition of Property

AHRC Nassau paid for a portion of property acquisitions on behalf of Mental Retardation Community Services of Nassau County – Project III, Inc. (MRCS III) in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. MRCS III realizes debt forgiveness commensurate with reimbursement amounts received by AHRC Nassau from OPWDD. The debt forgiveness amounted to $85,639 for the year ended December 31, 2019.

In accordance with a January 2012 agreement between AHRC Nassau, MRCS III and CSSC, the debt owed by MRCS III to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS III will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $508,852 and is included as a component of due from non-controlled affiliated organizations in the consolidated statement of financial position.

AHRC Nassau paid for a portion of property acquisitions on behalf of Mental Retardation Community Services of Nassau County – Project IV, Inc. (MRCS IV) in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. AHRC Nassau forgives a portion of the debt due from MRCS IV, as it receives reimbursement from OPWDD and MRCS IV records a forgiveness of debt accordingly. The debt forgiveness amounted to $54,839 for the year ended December 31, 2019.

In accordance with a December 2014 agreement between AHRC Nassau, MRCS IV and CSSC, the debt owed by MRCS IV to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS IV will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $373,286 and is included as a component of due from non-controlled affiliated organizations in the consolidated statement of financial position.

Guarantees of Obligations

CSSC unconditionally guarantees a Nassau County IDA bond financing agreement entered into by Advantage Care. At December 31, 2019, the outstanding balance carried by Advantage Care was $1,210,000. At December 31, 2019, Advantage Care was not in default of the scheduled bond payments.

CSSC unconditionally guarantees a lease agreement entered into by BCCS over the next six years, with minimum aggregate payments due of approximately $12,600,000. As of December 31, 2019, BCCS was not in default of the terms of the lease agreement.

CSSC unconditionally guarantees separate revolving line of credit agreements for each of Citizens Options and BCCS, each in the amount of $2.0 million. As of December 31, 2019, there was no amount outstanding under the Citizen's line of credit and there was $1,500,000 outstanding under the BCCS line of credit. There were no defaults under the terms of these agreements.

AHRC Foundation unconditionally guarantees a line of credit agreement entered into by EES up to $500,000.

AHRC Foundation unconditionally guarantees a lease agreement entered into by PHP over the period January 1, 2016 to May 30, 2022, with minimum aggregate payments due of approximately $1,625,000, or $25,000 per month. The Foundation may be released as guarantor on or after December 31, 2019, when PHP meets certain financial requirements.

Citizens Options unconditionally guarantees separate line of credit agreements for CSSC and BCCS in the amounts of $5 million and $2 million, respectively. At December 31, 2019, there was $1,500,000 outstanding under the BCCS line of credit, and there was $3,646,273 outstanding under the CSSC line of credit. At December 31, 2019, there was no default of the terms of these agreements.

14. Capital Advance from HUD

MRCS V has a Capital Advance/Building Loan Agreement with HUD under Section 811 of the National Affordable Housing Act aggregating $1,396,400, with which it purchased and renovated community residences to provide housing for persons with disabilities.

The Capital Advance/Building Loan bears no interest and is not required to be repaid, as long as the housing remains available to eligible, very-low-income households for a period of 40 years. This advance is recorded as net assets with donor restrictions.

15. Lines of Credit

As of December 31, 2019, Citizens Options has an unsecured revolving bank line of credit under which a maximum amount of $2 million can be borrowed. The line of credit agreement requires that Citizens Options comply with certain financial covenants. Citizens Options was in compliance with its financial covenants as of December 31, 2019. The line of credit bears interest at the prevailing prime rate (such rate being 4.75% at December 31, 2019). There were no amounts borrowed under the line of credit and no interest expense incurred for the year ended December 31, 2019. The agreement expires on December 8, 2020 and may be renewed with the bank's approval.

As of December 31, 2019, BCCS has an unsecured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed. The line of credit agreement requires that BCCS comply with certain financial covenants. BCCS was in compliance with its financial covenants as of December 31, 2019. The line of credit bears interest at the prevailing prime rate (such rate being 4.75% at December 31, 2019). As of December 31, 2019, there was $1,500,000 outstanding under the line of credit and $36,228 of interest expense incurred for the year ended December 31, 2019. The agreement expires on December 8, 2020 and may be renewed with the bank's approval.

As of December 31, 2019, CSSC has a secured revolving bank line of credit with HSBC Bank, under which a maximum amount of $5.0 million can be borrowed. The line of credit agreement requires that CSSC comply with certain financial covenants. CSSC was in compliance with its financial covenants as of December 31, 2019. The line of credit bears interest at the prevailing prime rate (such rate being 4.75% at December 31, 2019). The line of credit is to be used to fund the acquisition of property and/or renovation of residences approved by OPWDD and SED, as applicable. The line of credit is secured by the assets of CSSC and guaranteed by each of BCCS, Citizens and the Foundation (collectively, the Guarantors). As of December 31, 2019, there was $3,646,273 outstanding under this line of credit. The agreement expires on December 8, 2020 and may be renewed with the bank's approval.

16. Mortgages Payable

On February 23, 2012, CSSC entered into mortgage loans with HSBC Bank for two residential properties. The loans are payable in monthly installments of $9,073 at interest rates of 4.17% and 4.19% per annum for each of these properties, which mature in February 2025 and May 2025, respectively.

CSSC has entered into loan agreements with Facilities Development Corporation (FDC), acting by and through its agent, the Commissioner of OPWDD and its successors. The loans are secured by four residential properties. The loans bear interest at rates ranging from 3.33% to 7.82% and are payable in semi-annual installments through varying dates from February 2016 to February 2021.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2020	$	204,364
2021		118,977
2022		96,723
2023		100,844
2024		105,141
Thereafter		31,985
	$	658,034

Nassau County AHRC Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

17. Bonds Payable

On August 15, 2018, CSSC obtained financing of $6,265,000 through the DASNY for the acquisition and renovation of six different properties in Long Island, NY. The bond, which consists of two series of bonds (Series 2018A-1 and 2018A-2), requires monthly interest payments and bears interest ranging from 3.5% to 4%. The Series 2018A-1 bond is a tax-exempt bond and Series 2018A-2 is a taxable bond. These bonds are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of CSSC. As the conduit debt obligor, CSSC is required to make all interest and principal payments as they become due. The bonds are publicly held and therefore have additional financial reporting requirements.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2020	$	165,834
2021		175,833
2022		182,917
2023		196,667
2024		205,000
Thereafter		5,003,557
		5,929,808
Less: unamortized balance of deferred financing costs		(506,355)
	$	5,423,453

The 2018 DASNY Bonds are subject to certain covenants. CSSC, along with the Foundation and Citizens, must maintain a specified debt service coverage ratio, must obtain prior written consent from DASNY before incurring any additional indebtedness, and CSSC, together with the Foundation and Citizens, must deposit and maintain a specified average balance, which is to be maintained by a trustee. The CSSC, along with the Foundation and Citizens, is in compliance with these covenants as of December 31, 2019.

On December 30, 2014, CSSC entered into a loan agreement with Israel Discount Bank (IDB), in the aggregate amount of $12,763,000. IDB purchased and holds bonds pursuant to a bond purchase agreement by and between IDB and Bank of New York Mellon as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreement consists of a series of four bonds, referred to as 2014 LEAC Bonds Series A through D. Proceeds from the bond purchase agreement were used by CSSC to refinance years 2007 and 2006 IDA bonds of $10.2 million to purchase and/or renovate four new projects of $2.1 million and $500,000 to pay loan closing costs. The 2014 LEAC Bonds mature at varying dates from December 1, 2021 through January 1, 2030, with interest rates ranging from 2.35% to 4.50%. Series A through C bonds are tax-exempt bonds and Series D is a taxable bond.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2020	$	1,625,000
2021		1,485,000
2022		805,000
2023		150,000
2024		160,000
Thereafter		875,000
		5,100,000
Less: unamortized balance of deferred financing costs		(76,300)
	$	5,023,700

On December 28, 2012, CSSC entered into loan agreements aggregating $31,299,000. These agreements consist of a separate agreement with each of two banks, TD Bank and IDB, with substantially identical terms in the amounts of $19,559,000 and $11,740,000, respectively. Each bank purchased and holds bonds pursuant to separate bond purchase agreements by and between each bank and U.S. Bank, NA, as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreements consist of a series of 13 bonds, referred to as 2012 LEAC Bonds Series A through M. Proceeds from the bond purchase agreement were used by CSSC to refinance then-existing long-term debt of $22.6 million to purchase and/or renovate three new projects for $6.5 million, and $2.2 million to pay loan closing costs. The 2012 LEAC Bonds mature at varying dates from April 1, 2015 through June 1, 2027, with interest rates ranging from 1.81% to 4.25%. Series A through L bonds are tax-exempt bonds and Series M is a taxable bond. The bond proceeds were deposited into bond funds held by U.S. Bank, which were used for purchase and renovations of the respective facilities and debt service repayments. U.S. Bank has a lien on, and security interest in, the facilities, property, equipment and furnishings in addition to the rents, issues and profits generated by the facilities.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2020	$	2,212,000
2021		2,284,000
2022		2,354,000
2023		2,086,000
2024		833,000
Thereafter		929,000
		10,698,000
Less: unamortized balance of deferred financing costs		(458,383)
	$	10,239,617

Nassau County AHRC Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

The 2014 LEAC Bonds and the 2012 LEAC Bonds are subject to certain covenants. CSSC, along with the Foundation, AHRC Nassau, BCCS and Citizens (collectively, the Institution) must maintain a specified debt service coverage ratio, a specified amount of unrestricted liquid net assets, and CSSC, together with the Foundation, BCCS, Citizens, and LCDX, must deposit and maintain a specified average balance with each lender measured semi-annually on the last day of the second fiscal quarter and on the last day of each fiscal year. The Institution is in compliance with these covenants as of December 31, 2019.

18. Retirement Expense

Each of AHRC Foundation, BCCS and Citizens Options maintains a defined contribution plan, as defined by IRC Section 403(b), and is offered to all employees who have attained the age of 20½ years, completed six months of service at the beginning of the contribution period, and have 1,000 hours of credited service. The annual employer contributions to the plans for AHRC Foundation and Citizens Options were 4% of total eligible salaries for all employees covered. The annual employer contributions to the BCCS plan were 6.5% of total eligible salaries for all employees covered. Total retirement expense for AHRC Foundation, BCCS and Citizens Options for the year ended December 31, 2019 was approximately $2,239,000 and has been accrued as part of accrued payroll and payroll related costs on the consolidated statement of financial position.

19. Due to New York State OPWDD

BCCS and Citizens Options have entered into various contracts with OPWDD for the operation of various programs. As part of the agreements, OPWDD advanced funds for preoperational start-up costs, equipment, renovations, lease costs, real estate taxes and operations. BCCS and Citizens Options have agreed to repay OPWDD all of the above funds to the extent that such costs are reimbursed by Medicaid.

20. Reserve for Potential Liabilities

Revenues and receivables from government-funded programs are subject to review and final determination of realizable rates by various regulatory agencies. Management has estimated a reserve for potential liabilities of approximately $4,482,000 as of December 31, 2019.

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21. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

December 31, 2019		
Subject to expenditure for specified purpose or period:		
HUD time restrictions	$	1,396,400
Camp Loyaltown general purposes		268,608
ICF services		21,855
Autism programs		1,312,418
Special needs children		655,738
Parent associations		20,562
CRP		7,155
Educational program		428,474
Scholarship		10,000
Other		77,216
Total Subject to Expenditure for Specified Purpose or Period		4,198,426
Endowments subject to spending policy and appropriation, which, once appropriated, are expendable to support:		
Shoreham ICF grounds maintenance		95,298
Total Endowments Subject to Spending Policy and Appropriation		95,298
Total Net Assets with Donor Restrictions	$	4,293,724

Income earned on net assets with donor restrictions is expendable to support operations unless otherwise specified by the donor.

Net assets were released for the following purposes:

Year ending December 31, 2019		
Camp Loyaltown general purposes	$	8,123
Autism programs		73,844
Special needs children		10,913
Parent associations		34,155
Scholarship		5,320
Other		432
	$	132,787

22. Endowment

Citizens received $95,298 as a transfer of assets for the Shoreham ICF Grounds Maintenance Endowment Fund as part of the change in auspice discussed in Note 1. The endowment consists of cash that is donor-restricted in perpetuity. In accordance with the requirements under ASC 958, the following applies to the donor-restricted endowment funds:

Interpretation of Relevant Law - The spending of endowment funds by a not-for-profit corporation in the state of New York was governed by the Uniform Management of Institutional Funds Act (UMIFA), as enacted in 1978, until September 17, 2010, when the state of New York enacted the NYPMIFA. Citizens has interpreted NYPMIFA as requiring the preservation of the original value of a gift for gifts received prior to September 17, 2010, absent donor stipulations to the contrary, and for post-September 17, 2010 gifts, as allowing Citizens to appropriate for expenditure or accumulate earnings as Citizens determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor, as expressed in the gift instrument. As a result of this interpretation, Citizens has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Citizens.

Investment and Spending Policies - Citizens has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various branches while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Citizens must hold in perpetuity and are currently held in cash.

In accordance with NYPMIFA, Citizens considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of Citizens and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation/depreciation of investments
- Other resources of Citizens
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on Citizens
- The investment policy of Citizens

The following represents the composition of endowment net assets by fund type:

December 31, 2019

		With Donor Restrictions		Total
Endowment funds	$	95,298	$	95,298

The change in endowment net assets was as follows:

December 31, 2019

		With Donor Restrictions		Total
Endowment Net Assets, beginning of year	$	-	$	-
Transfer of assets		95,298		95,298
Endowment Net Assets, end of year	$	95,298	$	95,298

Endowment assets consist of cash. There are no underwater endowments as of December 31, 2019.

23. Leases

As noted in Note 2, the Foundation adopted ASU 2016-02, *Accounting for Leases* (Topic 842), for the year ended December 31, 2019. As part of its adoption, the Foundation elected the practical expedient that permits an entity to not reassess whether expired or existing contracts contain leases. Additionally, the Foundation has elected to not recognize leases with terms of 12 months or less on the balance sheet. Rent expense for leases with terms of 12 months or less was approximately $1,312,000 for the year ended December 31, 2019 and is included in the consolidated statement of functional expenses.

Finance lease right-of-use assets and finance lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the lease commencement date. Finance lease right-of-use assets are depreciated on the straight-line method over the life of the payment terms of the lease.

Finance Leases - Lessee

The Foundation leases various buildings and vehicles under finance leases from third parties. These leases are deemed to be finance leases under ASC 842. In 2019, the Foundation recorded finance lease right-of-use assets of $7,852,586 and finance lease liabilities of $8,108,112 in the consolidated statement of financial position.

The leases are for various durations through December 31, 2068. The leases require monthly payments of principal and interest at rates ranging from 3.25% to 4.25% per annum. Interest rates are based on rates that were explicitly stated in the lease agreement. In the event an interest rate is not explicitly stated in the lease agreement, The Foundation used the incremental borrowing rate based on the information available at the lease inception date in determining the present value of future payments. The incremental borrowing rate is defined as interest the Foundation would pay to borrow on a collateralized basis. The following is a schedule of future minimum lease payments, including interest, under the term of the leases, together with the present value of the net minimum lease payments, as of December 31, 2019:

Year ending December 31,		
2020	$	1,408,498
2021		1,450,374
2022		1,493,507
2023		1,473,582
2024		1,472,369
Thereafter		1,805,028
Total Minimum Lease Payments		9,103,358
Less: amounts representing interest		(995,246)
Present Value of Net Minimum Lease Payments		8,108,112
Less: current portion		(1,141,511)
	$	6,966,601

Depreciation expense for the year ended December 31, 2019 on these finance lease right-of-use assets totaled $1,275,751 and is included as a component of depreciation and amortization expense on the consolidated statement of functional expenses. Interest expense for the year ended December 31, 2019 related to finance leases payable was $300,620 and is included on the consolidated statement of functional expenses.

Leases with Controlled Affiliates

Citizens and BCCS rent various facilities and residential sites from CSSC. These leases are deemed to be finance leases under ASC 842. The associated sales-type lease receivable for CSSC and finance lease liability for Citizens and BCCS has been eliminated in consolidation. A right-of-use asset for these leases totaling $13,478,890 as of December 31, 2019 and depreciation expense related to these leases of $1,702,306 for the year ended December 31, 2019 has been recorded by Citizens and BCCS, which is not eliminated in consolidation.

24. Commitments and Contingencies

Legal Matters

The Foundation is a party to certain routine legal actions and complaints arising in the ordinary course of business. Management is unable to determine at this time the likelihood of the outcomes. In the opinion of management, all such matters are adequately covered by insurance.

HUD Contingencies

MRCS V receives certain of its funding from HUD. Continuation of such funding is dependent on budgetary allocations from HUD. Such funding is subject to change and may have an effect on operations. Further, reimbursements under contracts are subject to audit by HUD on a regular basis. Liabilities, if any, resulting from these audits, are not presently determinable.

Pursuant to certain contractual obligations, MRCS V must operate the sites as residential facilities for the developmentally disabled for a period of 40 years through 2056 from the date of construction, which began in 2016. In addition, the status of ownership must remain the same for this period.

New York State Office of the State Comptroller Audit

BCCS has been subject to an audit of its preschool programs by the New York State Office of the State Comptroller (NYSOSC). The preschool programs consist of the preschool segregated (SED Code 9100), preschool integrated (SED Code 9160) and the Special Education Itinerant Teacher (SED Code 9135) programs. The periods covered under audit were the fiscal years ended June 30, 2012 through June 30, 2014. The amounts subject to audit were total program expense of approximately $72.2 million. In February 2018, BCCS commenced a civil action and proceeding, pursuant to Article 78 of the New York Civil Practice Law and Rules. This action was taken to enable BCCS to preserve its ability to pursue a favorable outcome to the NYSOSC audit.

In August 2019, BCCS signed a stipulation of settlement agreement and order of discontinuance of the NYSOSC audit described above. The settlement terms require BCCS to implement measures set forth in its Corrective Action Plan, as submitted to and mandated by SED, relative to certain findings in the NYSOSC audit. BCCS recorded a liability of approximately $413,000 as a result of the NYSOSC audit and is included as a component of reserve for potential liabilities in the consolidated statement of financial position.

25. Subsequent Events

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition and liquidity for 2020. If the pandemic continues, it may have an adverse effect on Citizens' results of future operations, financial condition and liquidity in 2020.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans (EIDL) to provide liquidity to small businesses harmed by the COVID-19 outbreak. The Foundation has not applied for, nor received, any funding from the SBA PPP or EIDL as of the report date.

Citizens' Board of Directors approved Citizens taking advantage of a provision of the CARES Act which allows for employers to delay payment of its 50% portion of the aggregate 12.4% Old-Age Survivors and Disability Insurance program tax (Social Security tax). Citizens must continue to timely withhold from the pay of each employee, and deposit with the IRS, the employee's share of the Social Security tax. The payment of the employer portion of the Social Security tax for 2020 may be remitted to the IRS in two equal installments, with 50% of the deferred amount due by December 31, 2021 and the remainder by December 31, 2022.

Management continues to examine the impact that the CARES Act may have on its business. Management currently is unable to determine the impact that the CARES Act will have on the financial condition, results of operation, or liquidity.

The Foundation has evaluated subsequent events through August 5, 2020, the date the consolidated financial statements were available for issuance. There were no subsequent events requiring adjustments to the consolidated financial statements or disclosures as stated herein.

Supplementary Information

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Nassau County AHRC Foundation, Inc. and Affiliates

Consolidating Schedule of Financial Position

Year ended December 31, 2019

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services Support Corporation	Life Care Data Exchange, LLC	Eliminations	Consolidated Total
Assets							
Current							
Cash and cash equivalents	$ 8,758,952	$ 1,221,923	$ 6,329,537	$ 368,208	$ 2,260,570	$ -	$ 18,939,190
Investments, at fair value	26,671,757	-	104,611	1,334,488	-	-	28,110,856
Accounts receivable, net	-	10,773,955	8,935,514	-	707,187	-	20,416,656
Contributions receivable, net	13,800	-	-	-	-	-	13,800
Sales-type receivable, current portion	-	-	-	3,080,734	-	(1,858,760)	1,221,974
Prepaid expenses and other assets	473,357	575,260	296,936	46,914	-	(51,823)	1,340,644
Due from non-controlled affiliated organizations, current portion	235	3,013	-	307,871	-	-	311,119
Due from controlled affiliates	68,536	-	-	-	-	(68,536)	-
Total Current Assets	35,986,637	12,574,151	15,666,598	5,138,215	2,967,757	(1,979,119)	70,354,239
Restricted Cash and Restricted Cash Equivalents	-	-	19,686	-	-	-	19,686
Due from Non-Controlled Affiliated Organizations, net of current portion	-	-	-	2,999,768	-	(1,580,489)	1,419,279
Assets Held for Specific Purpose	129,629	176,216	87,131	356,805	-	-	749,781
Sales-Type Receivable, net of current portion	-	-	-	13,926,439	-	(11,403,474)	2,522,965
Receivable from Life Care Data Exchange, LLC	50,000	-	-	-	-	(50,000)	-
Loan Receivable from Community Services Support Corporation	626,920	-	-	-	-	(626,920)	-
Subvention Loan Receivable from Advantage Care Diagnostic and Treatment Center, Inc.	730,726	-	-	-	-	-	730,726
Deferred Charges	-	-	79,087	-	-	-	79,087
Computer Software, Net	-	-	-	-	525,521	-	525,521
Investment in Computer Software - Managed Care Organization	746,480	-	-	-	-	-	746,480
Programmatic Investment	2,051,684	-	-	-	-	-	2,051,684
Finance Lease Right-Of-Use-Assets, Net	-	13,488,345	7,843,131	-	-	-	21,331,476
Fixed Assets, Net	-	3,351,782	6,871,868	6,603,939	-	-	16,827,589
Total Assets	$ 40,322,076	$ 29,590,494	$ 30,567,501	$ 29,025,166	$ 3,493,278	$ (15,640,002)	$ 117,358,513

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidating Schedule of Financial Position

Year ended December 31, 2019

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services Support Corporation	Life Care Data Exchange, LLC	Eliminations	Consolidated Total
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	$ 49,824	$ 1,496,329	$ 1,362,098	$ 74,481	$ 623,408	$ (33,805)	$ 3,572,335
Accrued payroll and payroll related costs	89,641	3,872,759	3,765,853	-	-	-	7,728,253
Assets held for related organizations	38,932	-	-	-	-	(38,932)	-
Due to non-controlled affiliated organizations	127,704	2,249,489	2,633,919	-	-	(1,580,489)	3,430,623
Due to controlled affiliates	-	12,891	-	-	-	(12,891)	-
Due to Nassau County AHRC Foundation, Inc.	-	34,731	-	-	50,000	(84,731)	-
Due to New York State OPWDD	-	111,844	1,552,352	-	-	-	1,664,196
Lines of credit	-	1,500,000	-	3,646,273	-	-	5,146,273
Finance lease liabilities, current portion	-	2,024,138	976,133	-	-	(1,858,760)	1,141,511
Mortgages payable, current portion	-	-	-	204,364	-	-	204,364
Bonds payable, current portion	-	-	-	4,002,834	-	-	4,002,834
Total Current Liabilities	306,101	11,302,181	10,290,355	7,927,952	673,408	(3,609,608)	26,890,389
Deferred Revenue	-	-	-	165,607	-	-	165,607
Reserve for Potential Liabilities	-	663,504	3,818,614	-	-	-	4,482,118
Finance Lease Liabilities, net of current portion	-	11,594,178	6,775,897	-	-	(11,403,474)	6,966,601
Subvention Loan Payable	-	-	-	626,920	-	(626,920)	-
Mortgages Payable, net of current portion	-	-	-	453,670	-	-	453,670
Bonds Payable, net of current portion and deferred financing costs	-	-	-	16,683,936	-	-	16,683,936
Deferred Compensation Payable	129,629	176,216	87,131	-	-	-	392,976
Total Liabilities	453,730	23,736,079	20,971,997	25,858,085	673,408	(15,640,002)	56,035,297
Commitments and Contingencies							
Net Assets							
Without donor restrictions	39,447,872	3,858,542	7,736,127	3,167,081	2,819,870	-	57,029,492
With donor restrictions	438,474	1,995,873	1,859,377	-	-	-	4,293,724
Total Net Assets	39,886,346	5,854,415	9,595,504	3,167,081	2,819,870	-	61,323,216
Total Liabilities and Net Assets	$ 40,322,076	$ 29,590,494	$ 30,567,501	$ 29,025,166	$ 3,493,278	$ (15,640,002)	$ 117,358,513

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidating Schedule of Activities

Year ended December 31, 2019

	Nassau County AHRC Foundation, Inc.			Brookville Center for Children's Services, Inc.			Citizens Options Unlimited, Inc.			Community Services Support Corporation	Life Care Data Exchange, LLC	Eliminations	Consolidated Totals		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
Revenue															
Program service fees:															
Educational services	$ -	$ -	$ -	$ 45,044,809	$ -	$ 45,044,809	$ -	$ -	$	$ -	$ -	$ -	$ 45,044,809	$ -	$ 45,044,809
Residential services	-	-	-	5,665,694	-	5,665,694	15,925,470	-	15,925,470	-	-	-	21,591,164	-	21,591,164
Intermediate care facility		-	-		-					-	-				
services	-			-		-	27,114,195	-	27,114,195			-	27,114,195	-	27,114,195
Camp Loyaltown	-	-	-	-	-	-	5,243,786	-	5,243,786	-	-	-	5,243,786	-	5,243,786
Crisis respite services	-	-	-	-	-	-	554,140	-	554,140	-	-	-	554,140	-	554,140
Family support services	-	-	-	-	-	-	341,764	-	341,764	-	-	-	341,764	-	341,764
Self-direction	-	-	-	-	-	-	1,206,329	-	1,206,329	-	-	-	1,206,329	-	1,206,329
Total Program Service Fees	-	-	-	50,710,503	-	50,710,503	50,385,684	-	50,385,684	-	-	-	101,096,187	-	101,096,187
Rental income	-	-	-	-	-	-	41,847	-	41,847	208,416	-	(189,816)	60,447	-	60,447
Contributions	639,168	-	639,168	64,831	123,921	188,752	143,175	112,555	255,730	-	-	(145,000)	702,174	236,476	938,650
Service fees	-	-	-	-	-	-	-	-	-	-	3,911,152	-	3,911,152	-	3,911,152
Government grants	-	-	-	1,097,165	-	1,097,165	-	-	-	-	-	-	1,097,165	-	1,097,165
Special events, net of direct		-							-						
expense of $107,388	526,240		526,240	-	-	-	-	-		-	-	-	526,240	-	526,240
Interest income	-	-	-	-	-	-	-	-	-	876,445	-	(545,389)	331,056	-	331,056
Other revenue	-	-	-	-	-	-	259	-	259	-	-	-	259	-	259
Net assets released from			-												
restrictions	5,000	(5,000)		119,232	(119,232)	-	8,555	(8,555)		-	-	-	132,787	(132,787)	-
Total Revenue	1,170,408	(5,000)	1,165,408	51,991,731	4,689	51,996,420	50,579,520	104,000	50,683,520	1,084,861	3,911,152	(880,205)	107,857,467	103,689	107,961,156

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidating Schedule of Activities

Year ended December 31, 2019

	Nassau County AHRC Foundation, Inc.			Brookville Center for Children's Services, Inc.			Citizens Options Unlimited, Inc.			Community Services Support Corporation	Life Care Data Exchange, LLC	Eliminations	Consolidated Totals		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
Expenses															
Program expenses:															
Educational services	$ -	$ -	$ -	$ 43,736,713	$ -	$ 43,736,713	$ -	$ -	$ -	$ -	$ -	$ (177,036)	$ 43,559,677	$ -	$ 43,559,677
Residential services	-	-	-	5,460,149	-	5,460,149	15,017,751	-	15,017,751	-	-	(468,667)	20,009,233	-	20,009,233
Intermediate care facility										-					
services	-	-	-	-	-	-	25,533,880	-	25,533,880		-	(46,901)	25,486,979	-	25,486,979
Camp Loyaltown	-	-	-	-	-	-	4,278,858	-	4,278,858	-	-	(2,550)	4,276,308	-	4,276,308
Crisis respite services	-	-	-	-	-	-	647,218	-	647,218	-	-	(36,140)	611,078	-	611,078
Family support services	-	-	-	-	-	-	393,006	-	393,006	-	-	(195)	392,811	-	392,811
Self-direction	-	-	-	-	-	-	1,296,681	-	1,296,681	-	-	(3,716)	1,292,965	-	1,292,965
Other	214,000	-	214,000	-	-	-	-	-	-	1,020,479	1,225,918	(145,000)	2,315,397	-	2,315,397
Total Program Services Expenses	214,000	-	214,000	49,196,862	-	49,196,862	47,167,394	-	47,167,394	1,020,479	1,225,918	(880,205)	97,944,448	-	96,913,661
Supporting services:															
Management fee	96,631	$ -	96,631	1,850,985	$ -	1,850,985	2,949,000	$ -	2,949,000	111,000	50,000	-	5,057,616	-	5,057,616
Management and general	478,351	-	478,351	1,879,747	-	1,879,747	334,960	-	334,960	-	843	(143,496)	2,550,405	-	2,550,405
Fundraising - contracted		-			-										
services	136,742		136,742	-		-	-	-	-	-	-	-	136,742	-	136,742
Professional services	-	-	-	-	-	-	-	-	-	35,661	503,040	-	538,701	-	538,701
Total Supporting Services Expenses	711,724	-	711,724	3,730,732	-	3,730,732	3,283,960	-	3,283,960	146,661	553,883	(143,496)	8,283,464	-	8,283464
Total Expenses	925,724	-	925,724	52,927,594	-	52,927,594	50,451,354	-	50,451,354	1,167,140	1,779,801	(1,023,701)	106,227,912	-	106,227,912
Operating Income	244,684	(5,000)	239,684	(935,863)	4,689	(931,174)	128,166	104,000	232,166	(82,279)	2,131,351	143,496	1,629,555	103,689	1,733,244
Non-Operating Activity															
Investment income, net	5,144,643	-	5,144,643	-	-	-	9,629	-	9,629	72,133	-	-	5,226,405	-	5,226,405
Interest and other income	370,504	-	370,504	4,754	-	4,754	-	-	-	-	-	(143,496)	231,762	-	231,762
Total Non-Operating Income	5,515,147	-	5,515,147	4,754	-	4,754	9,629	-	9,629	72,133	-	(143,496)	5,458,167	-	5,458,167
Change in Net Assets, before transfer of assets and loss on change in accounting principle	5,759,831	(5,000)	5,754,831	(931,109)	4,689	(926,420)	137,795	104,000	241,795	(10,146)	2,131,351	-	7,087,722	103,689	7,191,411
Transfer of Assets	-	-	-	-	-	-	-	95,298	95,298	-	-	-	-	95,298	95,298
Loss on Change in Accounting		-													
Principle	-		-	-	-	-	-	-	-	(10,074,193)	-	-	(10,074,193)	-	(10,074,193)
Change in Net Assets	5,759,831	(5,000)	5,754,831	(931,109)	4,689	(926,420)	137,795	199,298	337,093	(10,084,339)	2,131,351	-	(2,986,471)	198,987	(2,787,484)
Net Assets, beginning of year	33,688,041	443,474	34,131,515	4,789,651	1,991,184	6,780,835	7,598,332	1,660,079	9,258,411	13,251,420	688,519	-	60,015,963	4,094,737	64,110,700
Net Assets, end of year	$ 39,447,872	$ 438,474	$ 39,886,346	$ 3,858,542	$ 1,995,873	$ 5,854,415	$ 7,736,127	$ 1,859,377	$ 9,595,504	$ 3,167,081	$ 2,819,870	$ -	$ 57,029,492	$ 4,293,724	$ 61,323,216

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Financial Statements
and Supplementary Information
Year Ended December 31, 2018

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2018

Nassau County AHRC Foundation, Inc. and Affiliates

Contents

BDO

Tel: 212-885-8000
Fax: 212-697-1299
www.bdo.com

100 Park Avenue
New York, NY, 10017

Independent Auditor's Report

The Board of Directors
Nassau County AHRC Foundation, Inc. and Affiliates
Brookville, New York

We have audited the accompanying consolidated financial statements of Nassau County AHRC Foundation, Inc. and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, expenses and cash flows for the year 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 these consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nassau County AHRC Foundation, Inc. and Affiliates as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidated financial statements of Nassau County AHRC Foundation, Inc. and Affiliates, and our report dated June 29, 2018 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

The consolidating information is presented for purposes of additional analysis for the consolidated financial statements rather than to present the financial position, results of operations, and cash flows 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 to 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 to other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

June 21, 2019

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statement of Financial Position (with comparative totals for 2017)

December 31,	2018	2017
Assets		
Current		
Cash and cash equivalents	$ 11,486,024	$ 11,229,754
Investments, at fair value	25,161,738	26,598,177
Accounts receivable, net	17,495,403	10,777,982
Contributions receivable, net	35,155	31,825
Accrued interest receivable	5,569	2,833
Prepaid expenses and other assets	1,245,126	1,032,475
Due from non-controlled affiliated organizations, current portion	318,452	275,827
Total Current Assets	55,747,467	49,948,873
Due from Non-Controlled Affiliated Organizations, net of current portion	1,745,967	2,054,992
Assets Held for Specific Purpose	427,138	117,756
Subvention Loan Receivable from Advantage Care Diagnostic and Treatment Center, Inc.	795,439	862,689
Deferred Charges	96,034	112,981
Computer Software, Net	718,783	912,046
Investment in Computer Software - Managed Care Organization	746,480	746,480
Investment in Managed Care Organization	2,051,684	2,051,684
Fixed Assets, Net	45,239,105	46,428,396
Total Assets	$ 107,568,097	$ 103,235,897
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,258,667	$ 2,550,710
Accrued payroll and payroll related costs	5,655,562	5,789,976
Due to non-controlled affiliated organizations	2,599,488	2,141,660
Due to New York State OPWDD	588,744	311,007
Line of credit	3,816,098	2,623,439
Mortgages payable, current portion	247,477	314,638
Bonds payable, current portion	3,929,333	3,744,000
Total Current Liabilities	19,095,369	17,475,430
Deferred Revenue	187,721	234,762
Reserve for Potential Liabilities	3,037,951	1,430,279
Mortgages Payable, net of current portion	658,033	905,510
Bonds Payable, net of current portion and deferred financing costs	20,478,323	18,628,391
Total Liabilities	43,457,397	38,674,372
Commitments and Contingencies		
Net Assets		
Without donor restrictions	60,015,963	58,985,195
With donor restrictions	4,094,737	5,576,330
Total Net Assets	64,110,700	64,561,525
Total Liabilities and Net Assets	$ 107,568,097	$ 103,235,897

See accompanying notes to consolidated financial statements.

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statement of Activities
(with comparative totals for 2017)

Year ended December 31,

	Without Donor Restriction	With Donor Restrictions	Total 2018	Total 2017
Revenue				
Program Service Fees				
Educational services	$ 43,519,730	$ -	$ 43,519,730	$ 42,322,633
Residential services	19,704,931	-	19,704,931	18,664,422
Intermediate care facility services	18,779,941	-	18,779,941	16,825,450
Camp Loyaltown	4,920,879	-	4,920,879	4,725,547
Medicaid Service Coordination	1,051,166	-	1,051,166	2,367,598
Crisis respite services	554,921	-	554,921	704,174
Family support services	314,315	-	314,315	318,719
Self-direction	680,877	-	680,877	226,494
Total Program Service Fees	89,526,760	-	**89,526,760**	86,155,037
Rental Income	1,780,683	-	**1,780,683**	2,067,775
Contributions	736,450	371,016	**1,107,466**	1,247,770
Service Fees	1,041,351	-	**1,041,351**	70,744
Government Grants	1,043,334	-	**1,043,334**	1,061,373
Special Events, net of direct expense of $102,842	588,038	-	**588,038**	517,030
Other Revenue	19,628	-	**19,628**	298
Net Assets Released from Restrictions	1,852,609	(1,852,609)	**-**	-
Total Revenue	96,588,853	(1,481,593)	**95,107,260**	91,120,027
Expenses				
Program expenses:				
Education services	41,070,858	-	**41,070,858**	39,909,753
Residential services	17,334,219	-	**17,334,219**	16,436,061
Intermediate care facility services	17,988,543	-	**17,988,543**	16,270,334
Camp Loyaltown	3,777,199	-	**3,777,199**	3,863,632
Medicaid Service Coordination	966,356	-	**966,356**	2,090,849
Crisis respite services	659,815	-	**659,815**	881,739
Family support services	366,757	-	**366,757**	350,234
Self-direction	694,574	-	**694,574**	306,603
Grants	95,000	-	**95,000**	289,000
Other	4,363,979	-	**4,363,979**	4,684,805
Total Program Expenses and Services	87,317,300		**87,317,300**	85,083,010
Supporting services:				
Management fee	4,000,851	-	**4,000,851**	4,271,984
Management and general	2,373,659	-	**2,373,659**	2,515,327
Fundraising - contracted services	104,579	-	**104,579**	110,620
Professional services	844,608	-	**844,608**	325,352
Total Supporting Services Expenses	7,323,697	-	**7,323,697**	7,223,283
Total Expenses	94,640,997	-	**94,640,997**	92,306,293
Operating Income (Loss)	1,947,856	(1,481,593)	**466,263**	(1,186,266)
Non-Operating Activity				
Investment (loss) income, net	(1,153,652)	-	**(1,153,652)**	3,532,269
Interest and other income	236,564	-	**236,564**	217,318
Total Non-Operating (Loss) Income	(917,088)	-	**(917,088)**	3,749,587
Change in Net Assets	1,030,768	(1,481,593)	**(450,825)**	2,563,321
Net Assets, beginning of year	58,985,195	5,576,330	**64,561,525**	61,998,204
Net Assets, end of year	$ 60,015,963	$ 4,094,737	**$ 64,110,700**	$ 64,561,525

See accompanying notes to consolidated financial statements.

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Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statement of Expenses
(with comparative totals for 2017)

Year ended December 31,

	Program Services											Supporting Services					Total	
	Educational Services	Residential Services	Intermediate Care Facility Services	Camp Loyaltown	Medicaid Service Coordination	Crisis Respite Services	Family Support Services	Self-Direction	Grants	Other	Total Program Services	Management Fee	Management and General	Fundraising - Contracted Services	Professional Services	Total Supporting Services	**2018**	2017
Salaries	$ 24,013,012	$ 11,116,006	$ 10,972,965	$ 1,327,631	$ 653,681	$ 416,038	$ 155,759	$ 216,589	$ -	$ -	$ 48,871,681	$ -	$ 979,513	$ -	$ -	$ 979,513	**$ 49,851,194**	$ 48,533,561
Payroll taxes	1,697,091	1,127,162	1,269,368	155,765	74,911	45,878	18,026	24,624	-	-	4,412,825	-	82,686	-	-	82,686	**4,495,511**	4,322,110
Employee health and retirement benefits	7,540,650	2,370,062	2,091,560	253,856	120,593	78,143	29,461	40,156	-	-	12,524,481	-	312,836	-	-	312,836	**12,837,317**	11,485,221
Total Personnel Services	33,250,753	14,613,230	14,333,893	1,737,252	849,185	540,059	203,246	281,369	-	-	65,808,987	-	1,375,035	-	-	1,375,035	**67,184,022**	64,340,892
Other Expenses																		
Professional fees and contracted services	2,435,425	47,071	329,071	400,697	-	-	-	100,916	-	-	3,313,180	-	213,600	6,536	844,608	1,064,744	**4,377,924**	3,835,748
Rent	1,371,737	30,357	432,808	445,999	19,034	10,411	-	263,068	-	-	2,573,414	-	-	-	-	-	**2,573,414**	2,442,418
Telephone	114,041	18,082	-	-	-	-	-	-	-	-	132,123	-	4,175	-	-	4,175	**136,298**	145,015
Transportation and travel	130,306	141,822	86,368	137,772	19,560	5,184	5,652	17,064	-	-	543,728	-	823	59	-	882	**544,610**	548,760
Repairs and maintenance	1,098,682	431,401	283,939	152,511	22,438	24,259	1,311	13,084	-	-	2,027,625	-	108,213	-	-	108,213	**2,135,838**	1,962,355
Equipment and vehicles	221,757	119,469	77,163	28,604	730	4,091	615	-	-	-	452,429	-	6,979	-	-	6,979	**459,408**	646,030
Staff training and dues and subscriptions	229,212	44,062	49,925	98,704	3,349	2,095	1,337	925	-	-	429,609	-	33,677	-	-	33,677	**463,286**	373,431
Supplies	543,728	255,389	396,616	116,932	4,834	10,767	2,949	7,697	-	-	1,338,912	-	15,901	5,851	-	21,752	**1,360,664**	1,823,109
Food	10,437	394,919	231,891	290,567	555	13,275	5,372	-	-	-	947,016	-	3,318	-	-	3,318	**950,334**	975,125
Participant incidentals	8,352	196,951	136,787	96,032	51	8,682	47,310	-	-	-	494,165	-	-	-	-	-	**494,165**	600,340
Insurance	324,664	249,186	216,006	49,470	16,894	8,646	4,469	-	-	-	869,335	-	11,528	-	-	11,528	**880,863**	777,511
Interest expense	-	-	-	-	-	-	-	-	-	914,840	914,840	-	25,709	-	-	25,709	**940,549**	1,108,941
Recruitment	31,970	27,750	-	-	-	-	-	-	-	-	59,720	-	11,312	-	-	11,312	**71,032**	57,176
Depreciation	448,682	218,301	221,936	87,572	-	17,398	222	-	-	3,448,486	4,442,597	-	31,253	2,050	-	33,303	**4,475,900**	4,554,907
Utilities	397,802	228,786	146,233	126,630	15,753	13,952	209	6,295	-	-	935,660	-	382	-	-	382	**936,042**	888,460
New York State Health Facility Assessment	-	293,961	993,461	-	-	-	-	-	-	-	1,287,422	-	-	-	-	-	**1,287,422**	1,153,437
Fees, licenses and permits	-	4,796	10,796	6,767	868	428	94,017	-	-	-	117,672	-	96,474	1,401	-	97,875	**215,547**	213,844
Grants	-	-	-	-	-	-	-	-	95,000	-	95,000	-	-	-	-	-	**95,000**	289,000
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-	71,394	-	71,394	**71,394**	76,506
Miscellaneous	94,310	18,686	41,650	1,690	13,105	568	48	4,156	-	653	174,866	-	335,280	17,288	-	352,568	**527,434**	466,443
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	100,000	-	-	100,000	**100,000**	542,861
Provision for contingencies	359,000	-	-	-	-	-	-	-	-	-	359,000	-	-	-	-	-	**359,000**	212,000
Management fees	-	-	-	-	-	-	-	-	-	-	-	4,000,851	-	-	-	4,000,851	**4,000,851**	4,271,984
Total Other Expenses	7,820,105	2,720,989	3,654,650	2,039,947	117,171	119,756	163,511	413,205	95,000	4,363,979	21,508,313	4,000,851	998,624	104,579	844,608	5,948,662	**27,456,975**	27,965,401
Total Expenses	$ 41,070,858	$ 17,334,219	$ 17,988,543	$ 3,777,199	$ 966,356	$ 659,815	$ 366,757	$ 694,574	$ 95,000	$ 4,363,979	$ 87,317,300	$ 4,000,851	$ 2,373,659	$ 104,579	$ 844,608	$ 7,323,697	**$ 94,640,997**	$ 92,306,293

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Cash Flows
(with comparative totals for 2017)

December 31,	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ **(450,825)**	$ 2,563,321
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**4,475,900**	4,554,907
Interest expense related to deferred financing costs	**198,528**	388,694
Realized gains on investments	**(1,608,921)**	(811,350)
Unrealized losses (gains) on investments	**3,380,607**	(2,195,888)
Provision for bad debt	**100,000**	500,000
Realized loss on sale of fixed assets	**17,292**	-
Donated fixed assets	**-**	(153,363)
Costs of issuance	**(539,566)**	-
(Increase) decrease in assets		
Accounts receivable	**(6,817,421)**	51,454
Contributions receivable	**(3,330)**	(13,415)
Accrued interest receivable	**(2,736)**	10,825
Prepaid expenses and other assets	**(212,651)**	(217,552)
Due from non-controlled affiliated organizations	**266,400**	275,180
Deferred charges	**16,947**	16,947
Increase (decrease) in liabilities		
Accounts payable & accrued expenses	**(292,043)**	(374,267)
Accrued payroll and payroll related costs	**(134,414)**	425,580
Reserve for potential liabilities	**1,607,672**	597,768
Due to non-controlled affiliated organizations	**457,828**	(27,453)
Due to New York State OPWDD	**277,737**	311,007
Deferred revenue	**(47,041)**	(17,739)
Net Cash Provided by Operating Activities	**689,963**	5,884,656
Cash Flows from Investing Activities		
Purchases of fixed assets	**(3,246,709)**	(5,176,382)
Purchases of computer software	**-**	(118,360)
Proceeds received from sale of fixed assets	**136,071**	-
Proceeds received for repayment of subvention loan receivable	**67,250**	54,675
Purchases of investments	**(5,636,630)**	(3,576,803)
Proceeds from sale of investments	**5,301,383**	2,209,086
Net Cash Used in Investing Activities	**(3,378,635)**	(6,607,784)
Cash Flows from Financing Activities		
Proceeds from lines of credit	**5,094,705**	1,335,793
Repayments on line of credit	**(3,902,046)**	-
Principal payments made on mortgages payable	**(314,638)**	(399,572)
Proceeds from bonds payable	**6,200,303**	-
Principal payments made on bonds payable	**(3,824,000)**	(3,941,000)
Changes in assets held for specific purpose	**(309,382)**	(22)
Net Cash Provided by (Used in) Financing Activities	**2,944,942**	(3,004,801)
Change in Cash and Cash Equivalents	**256,270**	(3,727,929)
Cash and Cash Equivalents, beginning of year	**11,229,754**	14,957,683
Cash and Cash Equivalents, end of year	$ **11,486,024**	$ 11,229,754
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ **700,259**	$ 743,248

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Description of Organization and Principles of Consolidation

Nature of Operations

Nassau County AHRC Foundation, Inc. (AHRC Foundation) is a fundraising and grant-making not-for-profit corporation that supports programs to benefit children and adults who have an intellectual and/or developmental disability. AHRC Foundation is a primary source of philanthropic support for its related entities, Brookville Center for Children's Services, Inc. (BCCS) and Citizens Options Unlimited, Inc. (Citizens Options), in addition to providing grant awards to non-controlled entities, such as NYSARC, Inc. Nassau County Chapter (AHRC Nassau), Advantage Care Diagnostic & Treatment Center, Inc. (Advantage Care) and other community-based not-for profit organizations. AHRC Foundation's primary support is derived from contributions and special events.

Controlled Entities

AHRC Foundation is the sole member of Community Services Support Corporation (CSSC), Citizens Options, BCCS, Life Care Data Exchange, LLC (LCDX) and Metropolitan Community Partners, Inc. (MCP). Accordingly, members of AHRC Foundation's Board of Directors have authority to approve changes to CSSC, Citizens Options, BCCS, LCDX and MCP by-laws and may appoint members of their Board of Directors.

BCCS is a not-for-profit organization that provides educational services to children with intellectual and other developmental disabilities and day care services for children in five locations in Nassau County, New York. BCCS serves over 1,000 children from the ages of birth through twenty- one years of age in classroom and home-based environments by offering developmentally appropriate, child-centered activities and providing opportunities for hands-on integrated learning through real-life experiences. BCCS also provides child care services in its day care programs. BCCS is licensed by the New York State Education Department (SED), as well as the New York State Office for People with Developmental Disabilities (OPWDD). BCCS is supported primarily by tuition fees paid by Nassau County, New York City Board of Education (NYCBOE) and local school districts. In addition, BCCS obtains grant funding through the Individuals with Disabilities in Education Act (IDEA). BCCS also operates a Children's Residential Program (CRP), which is funded by OPWDD. The program provides residential services in four locations to twenty-five children diagnosed with autism who attend BCCS' school-age programs.

Citizens Options is a not-for profit organization that provides individualized residential alternative services (IRA), residential respite services, intermediate care facility services (ICF) and Medicaid service coordination (MSC) for individuals with intellectual and other developmental disabilities. Additionally, Citizens Options operates Camp Loyaltown in Hunter, New York, a respite program providing services to developmentally disabled children and adults. Citizens Options is governed by its own Board of Directors, which is responsible for its operations. Citizens Options is supported primarily by service fees paid by various New York State and local government agencies. Effective July 1, 2018, Citizens Options ceased providing MSC services upon transfer of the MSC program to a third-party provider. No gain or loss was generated from this transfer. Effective July 14, 2018, Citizens Options assumed program operations with annual revenue of approximately $2.7 million from another agency consisting of one ICF in Manhasset, NY and one IRA in Port Washington, New York. Citizens Options continually pursues growth opportunities to expand its program services.

MRCS V, Inc. (MRCS V) is a not-for-profit organization. Its purpose is to operate and maintain two residences, located in Commack and Greenlawn, New York, for twelve developmentally disabled adults. MRCS V became operational in September 2016. Funding is derived primarily from rental fees paid by tenants and the United States Department of Housing and Urban Development (HUD) under Section 811 of the National Affordable Housing Act, Supportive Housing for Persons with Disabilities. Citizens Options is the sole member of MRCS V and appoints the Board of Directors of MRCS V. As such, the financial statements of Citizens Options include the accounts of MRCS V (collectively, Citizens). All intercompany transactions and balances have been eliminated in the consolidating financial statements of Citizens.

CSSC is a not-for-profit organization that holds title to and maintains buildings and properties for various programs operated by AHRC Nassau, Citizens Options, BCCS and Advantage Care. Revenues are derived mainly from the rental of these facilities.

LCDX became operational in January 2015 for the purpose of investing in development of care coordination software for licensing to third-party service providers to developmentally disabled persons. LCDX is a single-member LLC.

MCP was established in October 2017 to help facilitate the provision of services to persons with intellectual and developmental disabilities through the combination of services with other not-for-profit entities throughout the metropolitan New York City area and New York State. MCP is not yet active. As such, there is no activity to report as of and for the year ended December 31, 2018.

The accompanying consolidated financial statements include the accounts of AHRC Foundation, BCCS, Citizens, CSSC and LCDX (collectively, the Foundation). All intercompany transactions and balances have been eliminated in the consolidated financial statements.

Non-Controlled Affiliated Organizations

AHRC Nassau

AHRC Nassau is one of forty-eight New York State county chapters of The Arc New York (formerly known as NYSARC, Inc.). The Arc New York is a membership corporation formed in 1949 for all county chapters. AHRC Nassau is governed by its own Board of Directors and is operated under guidelines promulgated by The Arc New York. AHRC Nassau provides residential, day habilitation, vocational and other services to individuals with developmental disabilities in Nassau County, New York. AHRC Nassau is supported primarily by service fees paid by various New York State agencies and government grants.

Certain administrative services are provided to the Foundation by AHRC Nassau, a non-controlled affiliated organization. These services are provided by AHRC Nassau to the AHRC Foundation's related entities pursuant to the terms of corporate and administrative services agreements and include, but are not limited to, leadership consulting, purchasing, accounts payable, payroll, human resources, accounting, budgeting and financial reporting.

Advantage Care

Advantage Care specializes in the treatment of health care challenges faced by persons with developmental disabilities. Advantage Care is supported primarily by service fees paid by the New York State Department of Health (NYSDOH), Medicare and Medicaid. Advantage Care is a health care service facility that operates a medical services clinic and autism services clinic. Medical services are provided by clinic staff trained in clinical specialties, such as primary medical care, psychiatric,

Nassau County AHRC Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

gynecology, dental care, podiatry and neurology services. Prior to June 8, 2015, the Foundation was the sole member of Advantage Care. Effective June 8, 2015, Advantage Care became a federally Qualified Health Center (FQHC) and entered into a sub-recipient agreement with Hudson River Health Care, LLC (HRH).

Certain fundraising activities and related support are provided to Advantage Care by the Foundation. Advantage Care also leases approximately 10,300 square feet in its Brookville, NY location from CSSC.

The accounts of AHRC Nassau and Advantage Care are not included in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting. In the consolidated statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of the Foundation's net assets and its support, revenue and expenses are based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets—with donor restriction and without donor restriction—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Without Donor Restrictions – This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of the Foundation.

With Donor Restrictions – This class consists of net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature), while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy. At December 31, 2018, the Foundation did not have net assets with donor restrictions that are perpetual in nature.

Cash and Cash Equivalents

The Foundation considers all highly liquid instruments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

Fair Value Measurement

Accounting Standards Codification (ASC) 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are those that market participants operating within the same marketplace as the Foundation would use in pricing the Foundation's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Foundation are traded. The Foundation estimates the price of any asset or liability for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets or liabilities would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 – Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Investments, at Fair Value

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the consolidated statement of activities as increases or decreases in net assets without donor restrictions.

Accounts Receivable, Net

Accounts receivable, net are stated as unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on amounts due using the allowance method. The allowance method is based on experience and other circumstances, which may affect the ability of the third-party payors to meet their obligations. The Foundation's policy is to write off uncollectible amounts when management determines they will not be collected.

Fixed Assets, Net

Fixed assets, net are recorded at cost. Depreciation and amortization are computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Building and leasehold improvements	5 - 25 years
Cooperative apartments	15 - 50 years
Equipment	3 - 25 years

Leasehold improvements are amortized over the shorter of their useful lives or the remainder of the lease period.

The Foundation follows the policy of capitalizing all fixed asset acquisitions in excess of $5,000. Maintenance and repairs are charged to operations when incurred. When fixed assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Fixed assets purchased in starting up certain Medicaid-funded programs are funded up to approved amounts by OPWDD over a 60-month period, in accordance with a rate notice issued by OPWDD. The amortization of fixed assets is consistent with the funding period. The Foundation records a deferred charge equal to the net future reimbursement it expects to realize in the operation of its programs. The deferred charge is amortized over the period of reimbursement. The Foundation expenses all non-reimbursable start-up costs.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2018, there have been no such losses.

Revenue Recognition

Revenue is earned as services are performed. Substantial funding is provided to Citizens and BCCS by state and local government agencies, as well as Medicaid. Funding levels are dependent on future allocations from such agencies. Certain funding streams are based on rates that are subject to audit by these agencies and approval of rate appeals made by Citizens Options and BCCS to these agencies. Any changes in rates resulting from audit adjustments or rate appeals are reflected in Citizens Options' and BCCS' financial statements when such rates are determined or can be reasonably estimated in the year the related services are rendered. Such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits or reviews.

The Foundation reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

CSSC's revenue is derived principally from the renting of various properties to AHRC Nassau, Citizens, BCCS and Advantage Care.

MRCS V's revenue is derived principally from the renting of apartments under one-year operating leases to eligible, very-low-income individuals. Tenant rental fees are supplemented by tenant assistance payments from HUD under a Housing Assistance Payment Contract, which is renewed annually.

Rental income for CSSC and MRCS V is recognized as earned pursuant to the terms of long-term rental agreements.

Functional Allocation of Expenses

The majority of expenses can generally be directly identified with program or supporting services to which they relate and are allocated accordingly. Other expenses have been allocated among program and supporting service classifications. These expenses include depreciation and amortization, utilities, information technology and facilities operations and maintenance. Depreciation and amortization is allocated based on square footage and interest expense is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist primarily of cash and cash equivalents. At times, the Foundation has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation insurance limits. These financial institutions have strong credit ratings, and management believes that credit risk related to these accounts is minimal.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Income Taxes

The Foundation is incorporated in the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required. There was no unrelated business income for the year ended December 31, 2018.

The Foundation adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The implementation of ASC 740 had no impact on the Foundation's consolidated financial statements.

Nassau County AHRC Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. The Foundation is subject to routine audits by taxing authorities. As of December 31, 2018, the Foundation was not subject to any examination by a taxing authority.

Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information. With respect to the consolidated statement of financial position, consolidated statement of activities and consolidated statement of expenses, the prior-year information is presented in total, not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Risks and Uncertainties

The Foundation's investments are concentrated in marketable equity securities and funds that invest in marketable equity securities. Such securities are subject to various risks that determine the value of the funds. Due to the level of risk associated with certain equity securities and the level of uncertainty related to changes in the value of these securities, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the consolidated financial statements.

Recently Adopted Authoritative Guidance

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions;" (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Foundation's consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. The standard was adopted by the Foundation in the year ended December 31, 2018.

Accounting Pronouncements Issued but Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14, which deferred the effective date for the Foundation until annual periods beginning after December 15, 2018. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. CSSC has provided guidance that it has publicly issued bonds. As such, CSSC and all of the Foundation's subsidiaries would be required to adopt ASU 2014-09 in the year 2018. However, as CSSC was scoped out of adopting ASU 2014-09, the Foundation's subsidiaries were not required to adopt in 2018. Accordingly, the Foundation will adopt this standard effective in the first quarter of the year 2019 utilizing the modified retrospective method, and therefore, no adjustments will be made to amounts in prior period financial statements. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statements, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for the Foundation for the fiscal year beginning after December 15, 2018. CSSC has provided guidance that it has publicly issued bonds. As such, CSSC and all of the Foundation's subsidiaries must adopt ASU 2016-02 in the year 2019. Accordingly, the Foundation will adopt this standard effective in the first quarter of the year 2019 utilizing the modified retrospective method, and therefore, no adjustments will be made to amounts in prior period financial statements. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2017 consolidated financial statements in order to conform to the 2018 presentation.

3. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

December 31, 2018		
Total Current Assets	$	55,747,467
Less: amounts unavailable for general expenditures within one year, due to:		
Prepaid expenses and other current assets		(1,245,126)
Restricted by donor with time or purpose restrictions		(4,094,737)
Total Financial Assets Available to Management for General Expenditure Within One Year	$	50,407,604

Liquidity Management

As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management continually evaluates the timing of estimated collections of accounts receivable and manages cash disbursement to ensure the availability of cash to meet its operating needs. Additionally, the Foundation has three lines of credit available totaling $9 million from which to draw down upon, of which $5,183,902 was unused as of December 31, 2018.

4. Investments, at Fair Value

Investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Foundation's policies regarding this hierarchy.

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. A description of the valuation techniques applied to the Foundation's assets measured at fair value are as follows:

Common Stocks, Stock Index Mutual Funds, and International Stocks – These investments are carried at their aggregate market value, as determined by quoted market prices. These investments are classified as Level 1.

Mutual Funds – The Foundation has investments in publicly traded mutual funds, which are carried at their aggregate market value, as determined by quoted market prices. These investments are classified as Level 1. Additionally, the Foundation has investments in non-publicly traded mutual funds, which are carried at the aggregate market value, as determined by the fund manager. These investments are classified as Level 2.

Government Securities – These investments are priced by the investment managers using nationally recognized pricing services. These investments are classified as Level 2.

Limited Partnership - Given the absence of market quotations, their fair value is estimated using information provided to the Foundation by the fund manager. The values are based on estimates that require varying degrees of judgment and are primarily based on financial data supplied by the fund manager. The financial statements of the fund are audited annually by nationally recognized firms of independent auditors. The Foundation does not directly invest in the underlying securities of the fund. These investments are classified as Level 3.

Investments at fair value are as follows:

December 31, 2018

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance
Common Stocks	$ 6,600,308	$ -	$ -	$ 6,600,308
Stock Index Mutual Funds	5,640,439	-	-	5,640,439
Mutual Funds	2,008,795	3,012,292	-	5,021,087
International Stocks	2,888,917	-	-	2,888,917
Government Securities	-	3,567,556	-	3,567,556
Limited Partnership	-	-	1,443,431	1,443,431
	$ 17,138,459	$ 6,579,848	$ 1,443,431	$ 25,161,738

There have been no changes in the methodologies used at December 31, 2018. There were no changes between levels during the year ended December 31, 2018.

The table below sets forth a summary of changes in fair value of the Level 3 assets:

Year ended December 31, 2018

	Limited Partnership
Balance, beginning of year	$ 527,645
Contributions	901,693
Investment income, net	14,093
Balance, end of year	$ 1,443,431

Investment (loss) income, net consists of the following:

Year ended December 31, 2018

Interest and dividends	$ 705,798
Unrealized losses	(3,380,607)
Realized gains	1,608,921
Direct investment expenses	(87,764)
	$ (1,153,652)

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5. Accounts Receivable, Net

Accounts receivable, net consist of the following:

December 31, 2018

Education services	$ 10,729,464
Residential	2,959,782
Intermediate care facility	1,925,165
Camp Loyaltown	1,062,848
Medicaid service coordination	24,122
Crisis respite	119,952
Family support	200,830
Self-direction	120,514
HUD	203,013
Other	311,471
	17,657,161
Less: allowance for doubtful accounts	(161,758)
	$ 17,495,403

6. Assets Held for Specific Purpose

Under the terms of the Dormitory Authority of New York State (DASNY) 2018 bonds, the Nassau County Industrial Development Agency (IDA) bonds and the 2014 and 2012 Nassau County Local Economic Assistance Corporation (LEAC) bonds, assets held for specific purpose consist of cash and cash equivalents. As of December 31, 2018, the assets held for specific purpose amounted to $427,138.

7. Investment in and Loan Receivable from E-Works Electronics Services, Inc.

AHRC Foundation has an investment of $500,000 in E-Works Electronic Services, Inc. (EES), constituting a 50% interest in EES. EES operates an electronics recycling vocational program, which provides educational, training and employment opportunities for persons with developmental disabilities. At December 31, 2018, AHRC Foundation has a valuation allowance of $500,000 recorded. The remaining value of the investment at December 31, 2018 is $0.

Additionally, in November 2015, AHRC Foundation's Board of Directors authorized a working capital loan to EES not to exceed $500,000, subject to further negotiation of interest rate and other repayment terms. At December 31, 2018, AHRC Foundation has an allowance of $500,000 recorded. The remaining net loan receivable as of December 31, 2018 is $0.

8. Subvention Loan Receivable

In February 2014, the Foundation entered into a subvention loan agreement with Advantage Care. Under the terms of the subvention loan agreement, Advantage Care may borrow up to $1.1 million pursuant to a promissory note payable for a period of fifteen years. Interest is payable monthly at the rate of two-thirds of the maximum interest rate authorized from time to time pursuant to Section 5-501 of the New York General Obligations Law or 5.0% per annum, whichever is lower (such rate being 6.0% per annum for the year ended December 31, 2018). Proceeds from this loan were used for the new Freeport clinic construction, equipment, furniture and fixtures, in connection with development of Advantage Care to a full service, managed care supporting organization. Interest income for the year ended December 31, 2018 was $36,049. As of December 31, 2018, the subvention loan receivable amounted to $795,439.

9. Investment in Computer Software

The Foundation has an investment in proprietary software that is used for billing, operating systems and documentation standards in accordance with regulatory requirements, for support to third-party providers of services to developmentally disabled persons. As of December 31, 2018, there was $746,480 invested.

10. Programmatic Investment

Programmatic investment by its nature meets two distinct criteria: (i) its primary purpose is to further the tax-exempt objectives of the organization, and (ii) the production of income or appreciation of the investment is not a significant purpose for making this investment.

As of December 31, 2018, the Foundation has an investment of $2,051,684 in a managed care organization (the MCO). The MCO was developed, by AHRC Nassau, together with four other chapters of NYSARC, Inc. in the New York City metropolitan area, to provide a broad range of support and services for people with developmental disabilities, in transition from a fee for service program model to a capitated, comprehensive care management model. In 2018, ADAPT Community Network (ADAPT) (formerly known as United Cerebral Palsy of New York City, Inc.) became a member of the Board of Directors of the MCO. The MCO operations commenced on April 1, 2016. The MCO consists of Partners Health Plan, Inc. (PHP), a New York not-for-profit corporation, the operating entity, which will serve as a health management organization (HMO) for payment of claims for the support and services delivered to developmentally disabled populations in the geographic regions of each chapter. PHP is a licensed HMO under Article 44 of the New York State Public Health Law and is approved by Centers for Medicare and Medicaid Services (CMS) as a Fully Integrated Duals Advantage (FIDA) provider. PHP is the obligor for repayment of the investment pursuant to a subordinated note payable to each of the chapters. The carrying value and recoverability of the investment in the MCO will be periodically evaluated over the course of its operations. Since operations of the MCO have only recently commenced, no impairment has been identified and recorded as of December 31, 2018.

11. Fixed Assets, Net

Fixed assets, net, consist of the following:

December 31, 2018		
Land	$	12,368,955
Buildings and leasehold improvements		98,101,137
Cooperative apartments		3,080,762
Equipment		6,149,820
		119,700,674
Less: accumulated depreciation and amortization		(74,461,569)
	$	45,239,105

Depreciation and amortization expense for the year ended December 31, 2018 totaled $4,475,900.

12. Due from (to) Non-Controlled Affiliated Organizations

Management Fee

Certain administrative services are provided by AHRC Nassau, a non-controlled affiliated organization, for which the Foundation incurred management fees of approximately $4,001,000 for the year ended December 31, 2018.

Rental Income

For the year ended December 31, 2018, included in rental income, are amounts earned from various non-controlled affiliated organizations. These amounts were as follows:

Year ended December 31, 2018		
AHRC Nassau	$	1,688,327
Advantage Care		21,257
	$	1,709,584

Tri-Party Agreement

On December 28, 2012, AHRC Nassau and Nassau Community Mental Retardation Services Company, Inc. (NCMRS) entered into a tri-party agreement (Tri-Party Lease) with CSSC. The Tri-Party Lease provided for CSSC's purchase of the corresponding receivable held by AHRC Nassau from NCMRS. NCMRS has a payable to CSSC in connection with the Tri-Party Lease for the December 28, 2012 LEAC Bonds Series G and K. The 2012 LEAC Bonds were established to refinance the outstanding debt of each of the Nassau County IDA Civic Facility Revenue Bond and the AHRC Nassau HSBC Line of Credit, of which the proceeds were used for improvements to the NCMRS property. As of December 31, 2018, the balance due to CSSC from NCMRS was approximately $777,000.

Debt Forgiveness - Acquisition of Property

CSSC entered into an agreement in January 2012 with AHRC Nassau and Mental Retardation Community Services of Nassau County - Project III, Inc. (MRCS III) for properties purchased by MRCS III and financed by CSSC. AHRC Nassau paid for a portion of property acquisitions on behalf of MRCS III in a prior-year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. MRCS III realizes debt forgiveness commensurate with reimbursement amounts received by AHRC Nassau from OPWDD. The debt forgiveness amounted to $82,453 for the year ended December 31, 2018.

In accordance with a January 2012 agreement between AHRC Nassau, MRCS III and CSSC, the debt owed by MRCS III to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS III will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $594,491.

CSSC entered into an agreement in December 2014 with AHRC Nassau and Mental Retardation Community Services of Nassau County - Project IV, Inc. (MRCS IV) for properties purchased by MRCS IV and financed by CSSC. AHRC Nassau paid for a portion of property acquisitions on behalf of MRCS IV in a prior-year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. AHRC Nassau forgives a portion of the debt due from MRCS IV as it receives reimbursement from OPWDD, and MRCS IV records a forgiveness of debt accordingly. The debt forgiveness amounted to $54,839 for the year ended December 31, 2018.

In accordance with a December 2014 agreement between AHRC Nassau, MRCS IV and CSSC, the debt owed by MRCS IV to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS IV will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $498,126.

Guarantees of Obligations

CSSC unconditionally guarantees a Nassau County IDA bond financing agreement entered into by Advantage Care. At December 31, 2018, the outstanding balance carried by Advantage Care was $1,305,000. At December 31, 2018, Advantage Care was not in default of the scheduled bond payments.

CSSC unconditionally guarantees a lease agreement entered into by BCCS over the next eight years with minimum aggregate payments due of approximately $12,600,000. As of December 31, 2018, BCCS was not in default of the terms of the lease agreement.

CSSC unconditionally guarantees separate revolving lines of credit agreements for each of Citizens Options and BCCS, each in the amount of $2.0 million. As of December 31, 2018, there was no amount outstanding under the Citizen's line of credit and there was $1,850,000 outstanding under the BCCS line of credit, which was fully repaid in March 2019. There were no defaults under the terms of these agreements.

AHRC Foundation unconditionally guarantees a line of credit agreement entered into by EES up to $500,000.

AHRC Foundation unconditionally guarantees a lease agreement entered into by PHP over the period January 1, 2016 to May 30, 2022, with minimum aggregate payments due of approximately $1,625,000, or $25,000 per month. The Foundation may be released as guarantor on or after December 31, 2018, when PHP meets certain financial requirements.

Citizens Options unconditionally guarantees separate line of credit agreements for CSSC and BCCS in the amounts of $5 million and $2 million, respectively. At December 31, 2018, there was approximately $1,850,000 outstanding under the BCCS line of credit, which was fully repaid in March 2019, and there was approximately $1,966,000 outstanding under the CSSC line of credit. At December 31, 2018, there was no default of the terms of these agreements.

13. Capital Advance from HUD

MRCS V has a Capital Advance/Building Loan Agreement with HUD under Section 811 of the National Affordable Housing Act aggregating $1,396,400 with which it purchased and renovated community residences to provide housing for persons with disabilities.

The Capital Advance/Building Loan bears no interest and is not required to be repaid, as long as the housing remains available to eligible, very-low-income households for a period of forty years. This advance is reported as capital grant revenue and is recorded as temporarily restricted net assets.

As of December 31, 2018, there were related accounts receivable due from this advance in the amount of $203,013.

14. Lines of Credit

As of December 31, 2018, Citizens Options has an unsecured revolving bank line of credit under which a maximum amount of $2 million can be borrowed. The line of credit agreement requires that Citizens Options comply with certain financial covenants. Citizens Options was in compliance with its financial covenants as of December 31, 2018. The line of credit bears interest at the prevailing prime rate (such rate being 5.5% at December 31, 2018). There were no amounts borrowed under the line of credit and no interest expense incurred for the year ended December 31, 2018. The agreement expires on December 8, 2019 and may be renewed with the bank's approval.

As of December 31, 2018, BCCS has an unsecured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed. The line of credit agreement requires that BCCS comply with certain financial covenants. BCCS was in compliance with its financial covenants as of December 31, 2018. The line of credit bears interest at the prevailing prime rate (such rate being 5.5% at December 31, 2018). As of December 31, 2018, there was $1,850,000 outstanding under the line of credit and $25,709 interest incurred for the year ended December 31, 2018. The agreement expires on December 8, 2019 and may be renewed with the bank's approval. The $1,850,000 balance was fully repaid in March 2019.

As of December 31, 2018, CSSC has a secured revolving bank line of credit with HSBC Bank, under which a maximum amount of $5.0 million can be borrowed. The line of credit agreement requires that CSSC comply with certain financial covenants. CSSC was in compliance with its financial covenants as of December 31, 2018. The line of credit bears interest at the prevailing prime rate (such rate being 5.50% at December 31, 2018). The line of credit is to be used to fund the acquisition of property and/or renovation of residences approved by OPWDD and the New York State Education Department, as applicable. The line of credit is secured by the assets of CSSC and guaranteed by each of BCCS, Citizens and the Foundation (collectively, the Guarantors). As of December 31, 2018, there was $1,966,098 outstanding under this line of credit. The agreement expires on December 8, 2019 and may be renewed with the bank's approval.

15. Mortgages Payable

On February 23, 2012, CSSC entered into mortgage loans with HSBC Bank for two residential properties. The loans are payable in monthly installments of $9,073 at interest rates of 4.17% and 4.19% per annum for each of these properties, which mature in February 2025 and May 2025, respectively.

CSSC has entered into loan agreements with Facilities Development Corporation (FDC), acting by and through its agent, the Commissioner of OPWDD and its successors. The loans are secured by four residential properties. The loans bear interest at rates ranging from 3.33% to 7.82% and are payable in semi-annual installments through varying dates from February 2016 to February 2021.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2019	$	247,477
2020		204,364
2021		118,977
2022		96,723
2023		100,844
Thereafter		137,125
	$	905,510

16. Bonds Payable

On August 15, 2018, CSSC obtained financing of $6,265,000 through the DASNY for the acquisition and renovation of six different properties in Long Island, NY. The bond, which consists of two series of bonds (Series 2018A-1 and 2018A-2), requires monthly interest payments and bears interest ranging from 3.5% to 4%. The Series 2018A-1 bond is a tax-exempt bond and Series 2018A-2 is a taxable bond. These bonds are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of CSSC. As the conduit debt obligor, CSSC is required to make all interest and principal payments as they become due. The bonds are publicly held and therefore have additional financial reporting requirements.

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Future minimum annual principal payments are as follows:

Year ending December 31,		
2019	$	193,333
2020		165,833
2021		175,833
2022		182,917
2023		196,667
Thereafter		5,205,720
		6,120,303
Less: unamortized balance of deferred financing costs		(528,496)
	$	5,591,807

The 2018 DASNY Bonds are subject to certain covenants. CSSC, along with the Foundation and Citizens, must maintain a specified debt service coverage ratio, must obtain prior written consent from DASNY before incurring any additional indebtedness, and CSSC, together with the Foundation and Citizens, must deposit and maintain a specified average balance, which is to be maintained by a trustee. The CSSC, along with the Foundation and Citizens, is in compliance with these covenants as of December 31, 2018.

On December 30, 2014, CSSC entered into a loan agreement with Israel Discount Bank (IDB), in the aggregate amount of $12,763,000. IDB purchased and holds bonds pursuant to a bond purchase agreement by and between IDB and Bank of New York Mellon as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreement consists of a series of four bonds, referred to as 2014 LEAC Bonds Series A through D. Proceeds from the bond purchase agreement were used by CSSC to refinance years 2007 and 2006 IDA bonds of $10.2 million, to purchase and/or renovate four new projects of $2.1 million and $500,000 to pay loan closing costs. The 2014 LEAC Bonds mature at varying dates from December 1, 2021 through January 1, 2030 with interest rates ranging from 2.35% to 4.50%. Series A through C bonds are tax-exempt bonds and Series D is a taxable bond.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2019	$	1,585,000
2020		1,625,000
2021		1,485,000
2022		805,000
2023		150,000
Thereafter		1,035,000
		6,685,000
Less: unamortized balance of deferred financing costs		(159,884)
	$	6,525,116

On December 28, 2012, CSSC entered into loan agreements aggregating $31,299,000. These agreements consist of a separate agreement with each of two banks, TD Bank and IDB, with substantially identical terms in the amounts of $19,559,000 and $11,740,000, respectively. Each bank purchased and holds bonds pursuant to separate bond purchase agreements by and between each bank and U.S. Bank, NA, as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreements consist of a series of thirteen bonds, referred to as 2012 LEAC Bonds Series A through M. Proceeds from the bond purchase agreement were used by CSSC to refinance then existing long-term debt of $22.6 million, to purchase and/or renovate three new projects for $6.5 million, and $2.2 million to pay loan closing costs. The 2012 LEAC Bonds mature at varying dates from April 1, 2015 through June 1, 2027 with interest rates ranging from 1.81% to 4.25%. Series A through L bonds are tax-exempt bonds and Series M is a taxable bond. The bond proceeds were deposited into bond funds held by U.S. Bank, which were used for purchase and renovations of the respective facilities and debt service repayments. U.S. Bank has a lien on, and security interest in, the facilities, property, equipment and furnishings in addition to the rents, issues and profits generated by the facilities.

Future minimum annual principal payments are as follows:

Year ending December 31,		
2019	$	2,151,000
2020		2,212,000
2021		2,284,000
2022		2,354,000
2023		2,086,000
Thereafter		1,762,000
		12,849,000
Less: unamortized balance of deferred financing costs		(558,267)
	$	12,290,733

The 2014 LEAC Bonds and the 2012 LEAC Bonds are subject to certain covenants. CSSC, along with the Foundation, Advantage Care, AHRC Nassau, BCCS and Citizens (collectively, the Institution) must maintain a specified debt service coverage ratio, a specified amount of unrestricted liquid net assets, and CSSC, together with the Foundation, BCCS, Citizens, and LCDX, must deposit and maintain a specified average balance with each lender measured semi-annually on the last day of the second fiscal quarter and on the last day of each fiscal year. The Institution is in compliance with these covenants as of December 31, 2018.

17. Retirement Expense

Each of AHRC Foundation, BCCS and Citizens Options maintains a defined contribution plan, as defined by IRC Section 403(b), and is offered to all employees who have attained the age of 20-1/2 years, completed six months of service at the beginning of the contribution period, and have 1,000 hours of credited service. The annual employer contributions to the plans for AHRC Foundation and Citizens Options were 4% of total eligible salaries for all employees covered. The annual employer contributions to the BCCS plan were 6.5% of total eligible salaries for all employees covered. Total

retirement expense for AHRC Foundation, BCCS and Citizens Options for the year ended December 31, 2018 was approximately $2,281,000 and has been accrued as part of accrued payroll and payroll related costs on the consolidated statement of financial position.

18. Reserve for Potential Liabilities and Due to New York State OPWDD

The Foundation has entered into various contracts with OPWDD for the operation of various programs. As part of the agreements, OPWDD advanced funds for preoperational start-up costs, equipment, renovations, lease costs, real estate taxes and operations. The Foundation has agreed to repay OPWDD all of the above funds to the extent that such costs are reimbursed by Medicaid.

Revenues and receivables from government funded programs are subject to review and final determination of realizable rates by various regulatory agencies. Management has estimated a reserve for potential liabilities and amount due to New York State OPWDD of approximately $3,627,000 as of December 31, 2018.

19. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

December 31, 2018		
HUD time restriction	$	1,396,400
Camp Loyaltown general purposes		180,120
ICF services		19,805
Other (purpose)		63,754
Autism programs		1,303,565
Special needs children		645,431
Parent associations		34,963
CRP		7,225
Educational program		428,474
Scholarship		15,000
	$	4,094,737

Income earned on net assets with donor restrictions is expendable to support operations unless otherwise specified by the donor.

Net assets were released for the following purposes:

Year ending December 31, 2018		
Camp Loyaltown general purposes	$	1,382,102
Camp Loyaltown capital projects		249,703
Other (purpose)		64,105
Autism programs		89,188
Special needs children		20,432
Parent associations		42,079
Scholarship		5,000
	$	1,852,609

20. Commitments and Contingencies

Leases

Citizens and BCCS lease various buildings, vehicles and equipment under operating leases. The leases are for various durations through December 31, 2069.

Future minimum lease payments at December 31, 2018 for the next five years and in the aggregate, are as follows:

Year ending December 31,

	Buildings	Vehicles	Total
2019	$ 1,337,145	$ 493,997	$ 1,831,142
2020	1,297,154	345,293	1,642,447
2021	1,339,030	171,524	1,510,554
2022	1,382,163	73,446	1,455,609
2023	1,426,589	33,445	1,460,034
Thereafter	3,277,396	-	3,277,396
Total	$ 10,059,477	$ 1,117,705	$ 11,177,182

Rent expense for the year ended December 31, 2018 approximated $2,573,000.

Legal Matters

The Foundation is a party to certain routine legal actions and complaints arising in the ordinary course of business. Management is unable to determine at this time the likelihood of the outcomes. In the opinion of management, all such matters are adequately covered by insurance.

HUD Contingencies

MRCS V receives certain of its funding from HUD. Continuation of such funding is dependent on budgetary allocations from HUD. Such funding is subject to change and may have an effect on operations. Further, reimbursements under contracts are subject to audit by HUD on a regular basis. Liabilities, if any, resulting from these audits, are not presently determinable.

Pursuant to certain contractual obligations, MRCS V must operate the sites as residential facilities for the developmentally disabled for a period of forty years through 2056 from the date of construction, which began in 2016. In addition, the status of ownership must remain the same for this period.

New York State Office of the State Comptroller Audit

BCCS has been subject to an audit of its preschool programs by the New York State Office of the State Comptroller (NYSOSC). The preschool programs consist of the preschool segregated (SED Code 9100), preschool integrated (SED Code 9160) and the Special Education Itinerant Teacher (SED Code 9135) programs. The periods covered under audit are the fiscal years ended June 30, 2012 through June 30, 2014. The amounts subject to audit are total program expense of approximately $72.2 million. The NYSOSC issued their report dated October 4, 2017 with an aggregate

recommended disallowance of $1,089,215, to which BCCS provided its response on November 1, 2017. In February 2018, BCCS commenced a civil action and proceeding, pursuant to Article 78 of the New York Civil Practice Law and Rules. This action was taken to enable BCCS to preserve its ability to pursue a favorable outcome to the NYSOSC audit.

Management continues to challenge these findings and is presently unable to predict the ultimate outcome of the audit. Accordingly, no provision for loss has been recorded in the consolidated financial statements as of December 31, 2018 and for the year then ended.

21. Subsequent Events

The Foundation has evaluated subsequent events through June 21, 2019, the date the consolidated financial statements were available for issuance. There were no subsequent events requiring adjustments to the consolidated financial statements or disclosures as stated herein.

In April 2019, Citizens Options obtained approval from OPWDD and the New York State Department of Health for the change in auspice of an ICF program from NYSARC, Inc. - Suffolk Chapter (the Suffolk ICF) to Citizens Options. The change in auspice is expected to be completed by July 19, 2019. The Suffolk ICF serves 83 persons and is located in Shoreham, NY. Total annual revenue is estimated at approximately $18 million.

Supplementary Information

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Nassau County AHRC Foundation, Inc. and Affiliates

Consolidating Schedule of Financial Position

Year ended December 31, 2018

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services Support Corporation	Life Care Data Exchange, LLC	Eliminations	Consolidated Total
Assets							
Current							
Cash and cash equivalents	$ 6,090,418	$ 96,194	$ 4,761,701	$ 216,910	$ 320,801	$ -	$ 11,486,024
Investments, at fair value	23,619,554	-	266,924	1,275,260	-	-	25,161,738
Accounts receivable, net	-	11,281,080	5,902,852	16,512	294,959	-	17,495,403
Contributions receivable, net	35,155	-	-	-	-	-	35,155
Accrued interest receivable	5,569	-	-	-	-	-	5,569
Prepaid expenses and other assets	376,265	631,401	278,295	15,435	-	(56,270)	1,245,126
Due from non-controlled affiliated organizations, current portion	630	8,797	-	309,025	-	-	318,452
Due from controlled affiliates	73,716	-	-	-	-	(73,716)	-
Total Current Assets	30,201,307	12,017,472	11,209,772	1,833,142	615,760	(129,986)	55,747,467
Due from Non-Controlled Affiliated Organizations, net of current portion	-	-	-	3,431,729	-	(1,685,762)	1,745,967
Assets Held for Specific Purpose	-	-	-	427,138	-	-	427,138
Loan Receivable from Life Care Data Exchange, LLC	559,574	-	-	-	-	(559,574)	-
Subvention Loan Receivable from Advantage Care Diagnostic and Treatment Center, Inc.	795,439	-	-	-	-	-	795,439
Deferred Charges	-	-	96,034	-	-	-	96,034
Computer Software, Net	-	-	-	-	718,783	-	718,783
Investment in Computer Software - Managed Care Organization	746,480	-	-	-	-	-	746,480
Investment in Managed Care Organization	2,051,684	-	-	-	-	-	2,051,684
Fixed Assets, Net	-	3,541,330	6,599,508	35,098,267	-	-	45,239,105
Total Assets	$ 34,354,484	$ 15,558,802	$ 17,905,314	$ 40,790,276	$ 1,334,543	$ (2,375,322)	$ 107,568,097
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	$ 36,422	$ 1,456,839	$ 627,085	$ 71,871	$ 86,450	$ (20,000)	$ 2,258,667
Accrued payroll and payroll related costs	70,342	3,597,464	1,987,756	-	-	-	5,655,562
Assets held for related organizations	55,612	-	-	-	-	(55,612)	-
Due to non-controlled affiliated organizations	60,593	1,482,333	2,771,269	-	-	(1,714,707)	2,599,488
Due to controlled affiliates	-	658	-	-	-	(658)	-
Due to Nassau County AHRC Foundation, Inc.	-	24,771	-	-	559,574	(584,345)	-
Due to New York State OPWDD	-	115,285	473,459	-	-	-	588,744
Line of credit	-	1,850,000	-	1,966,098	-	-	3,816,098
Mortgages payable, current portion	-	-	-	247,477	-	-	247,477
Bonds payable, current portion	-	-	-	3,929,333	-	-	3,929,333
Total Current Liabilities	222,969	8,527,350	5,859,569	6,214,779	646,024	(2,375,322)	19,095,369
Deferred Revenue	-	-	-	187,721	-	-	187,721
Reserve for Potential Liabilities	-	250,617	2,787,334	-	-	-	3,037,951
Mortgages Payable, net of current portion	-	-	-	658,033	-	-	658,033
Bonds Payable, net of current portion and deferred financing costs	-	-	-	20,478,323	-	-	20,478,323
Total Liabilities	222,969	8,777,967	8,646,903	27,538,856	646,024	(2,375,322)	43,457,397
Commitments and Contingencies							
Net Assets							
Without donor restrictions	33,688,041	4,789,651	7,598,332	13,251,420	688,519	-	60,015,963
With donor restrictions	443,474	1,991,184	1,660,079	-	-	-	4,094,737
Total Net Assets	34,131,515	6,780,835	9,258,411	13,251,420	688,519	-	64,110,700
Total Liabilities and Net Assets	$ 34,354,484	$ 15,558,802	$ 17,905,314	$ 40,790,276	$ 1,334,543	$ (2,375,322)	$ 107,568,097

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidating Schedule of Activities

Year ended December 31, 2018

	Nassau County AHRC Foundation, Inc.			Brookville Center for Children's Services, Inc.			Citizens Options Unlimited, Inc.			Community Services Support Corporation	Life Care Data Exchange, LLC	Eliminations	Consolidated Totals		
	Without Donor Restriction	With Donor Restriction	2018 Total	Without Donor Restriction	With Donor Restriction	2018 Total	Without Donor Restriction	With Donor Restriction	2018 Total	Without Donor Restriction	Without Donor Restriction	Without Donor Restriction	Without Donor Restriction	With Donor Restriction	Total
Revenue															
Program Service Fees:															
Educational services	$ -	$ -	$ -	$ 43,519,730	$ -	$ 43,519,730	$ -	$ -	$ -	$ -	$ -	$ -	$ 43,519,730	$ -	$ 43,519,730
Residential services	-	-	-	5,610,630	-	5,610,630	14,094,301	-	14,094,301	-	-	-	19,704,931	-	19,704,931
Intermediate care facility services	-	-	-	-	-	-	18,779,941	-	18,779,941	-	-	-	18,779,941	-	18,779,941
Camp Loyaltown	-	-	-	-	-	-	4,920,879	-	4,920,879	-	-	-	4,920,879	-	4,920,879
Medicaid service coordination	-	-	-	-	-	-	1,051,166	-	1,051,166	-	-	-	1,051,166	-	1,051,166
Crisis respite services	-	-	-	-	-	-	554,921	-	554,921	-	-	-	554,921	-	554,921
Family support services	-	-	-	-	-	-	314,315	-	314,315	-	-	-	314,315	-	314,315
Self-direction	-	-	-	-	-	-	680,877	-	680,877	-	-	-	680,877	-	680,877
Total Program Service Fees	-	-	-	49,130,360	-	49,130,360	40,396,400	-	40,396,400	-	-	-	89,526,760	-	89,526,760
Rental income	-	-	-	-	-	-	52,876	-	52,876	4,428,706	-	(2,700,899)	1,780,683	-	1,780,683
Contributions	740,411	-	740,411	64,038	197,470	261,508	87,001	173,546	260,547	-	-	(155,000)	736,450	371,016	1,107,466
Service fees	-	-	-	-	-	-	-	-	-	-	1,041,351	-	1,041,351	-	1,041,351
Government grants	-	-	-	1,043,334	-	1,043,334	-	-	-	-	-	-	1,043,334	-	1,043,334
Special events, net of direct expense of $102,842	588,038	-	588,038	-	-	-	-	-	-	-	-	-	588,038	-	588,038
Other revenue	-	-	-	-	-	-	19,628	-	19,628	-	-	-	19,628	-	19,628
Net assets released from restrictions	5,000	(5,000)	-	151,699	(151,699)	-	1,695,910	(1,695,910)	-	-	-	-	1,852,609	(1,852,609)	-
Total Revenue	1,333,449	(5,000)	1,328,449	50,389,431	45,771	50,435,202	42,251,815	(1,522,364)	40,729,451	4,428,706	1,041,351	(2,855,899)	96,588,853	(1,481,593)	95,107,260
Expenses															
Program expenses:															
Educational services	-	-	-	42,049,059	-	42,049,059	-	-	-	-	-	(978,201)	41,070,858	-	41,070,858
Residential services	-	-	-	5,528,467	-	5,528,467	13,018,004	-	13,018,004	-	-	(1,212,252)	17,334,219	-	17,334,219
Intermediate care facility services	-	-	-	-	-	-	18,388,433	-	18,388,433	-	-	(399,890)	17,988,543	-	17,988,543
Camp Loyaltown	-	-	-	-	-	-	3,785,009	-	3,785,009	-	-	(7,810)	3,777,199	-	3,777,199
Medicaid Service Coordination	-	-	-	-	-	-	977,382	-	977,382	-	-	(11,026)	966,356	-	966,356
Crisis respite services	-	-	-	-	-	-	748,932	-	748,932	-	-	(89,117)	659,815	-	659,815
Family support services	-	-	-	-	-	-	367,818	-	367,818	-	-	(1,061)	366,757	-	366,757
Self-direction	-	-	-	-	-	-	696,116	-	696,116	-	-	(1,542)	694,574	-	694,574
Grants	250,000	-	250,000	-	-	-	-	-	-	-	-	(155,000)	95,000	-	95,000
Other	-	-	-	-	-	-	-	-	-	4,162,362	201,617	-	4,363,979	-	4,363,979
Total Program Expenses	250,000	-	250,000	47,577,526	-	47,577,526	37,981,694	-	37,981,694	4,162,362	201,617	(2,855,899)	87,317,300	-	87,317,300
Supporting services:															
Management fee	96,235	-	96,235	1,604,617	-	1,604,617	2,149,999	-	2,149,999	150,000	-	-	4,000,851	-	4,000,851
Management and general	432,527	-	432,527	1,784,645	-	1,784,645	283,166	-	283,166	-	15,913	(142,592)	2,373,659	-	2,373,659
Fundraising - contracted services	104,579	-	104,579	-	-	-	-	-	-	-	-	-	104,579	-	104,579
Professional services	-	-	-	-	-	-	-	-	-	21,606	823,002	-	844,608	-	844,608
Total Supporting Services Expenses	633,341	-	633,341	3,389,262	-	3,389,262	2,433,165	-	2,433,165	171,606	838,915	(142,592)	7,323,697	-	7,323,697
Total Expenses	883,341	-	883,341	50,966,788	-	50,966,788	40,414,859	-	40,414,859	4,333,968	1,040,532	(2,998,491)	94,640,997	-	94,640,997
Operating Income (Loss)	450,108	(5,000)	445,108	(577,357)	45,771	(531,586)	1,836,956	(1,522,364)	314,592	94,738	819	142,592	1,947,856	(1,481,593)	466,263
Non-Operating Activity															
Investment (loss) income, net	(1,195,891)	-	(1,195,891)	-	-	-	23,296	-	23,296	18,943	-	-	(1,153,652)	-	(1,153,652)
Interest and other income	374,479	-	374,479	4,677	-	4,677	-	-	-	-	-	(142,592)	236,564	-	236,564
Total Non-Operating (Loss) Income	(821,412)	-	(821,412)	4,677	-	4,677	23,296	-	23,296	18,943	-	(142,592)	(917,088)	-	(917,088)
Change in Net Assets	(371,304)	(5,000)	(376,304)	(572,680)	45,771	(526,909)	1,860,252	(1,522,364)	337,888	113,681	819	-	1,030,768	(1,481,593)	(450,825)
Net Assets, beginning of year	34,059,345	448,474	34,507,819	5,362,331	1,945,413	7,307,744	5,738,080	3,182,443	8,920,523	13,137,739	687,700	-	58,985,195	5,576,330	64,561,525
Net Assets, end of year	$ 33,688,041	$ 443,474	$ 34,131,515	$ 4,789,651	$ 1,991,184	$ 6,780,835	$ 7,598,332	$ 1,660,079	$ 9,258,411	$ 13,251,420	$ 688,519	$ -	$ 60,015,963	$ 4,094,737	$ 64,110,700

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2017

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2017

Nassau County AHRC Foundation, Inc. and Affiliates

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BDO

Tel: +212 885-8000
Fax: +212 697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Nassau County AHRC Foundation, Inc. and Affiliates
Brookville, New York

We have audited the accompanying consolidated financial statements of Nassau County AHRC Foundation, Inc. and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year 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 these consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nassau County AHRC Foundation, Inc. and Affiliates as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Nassau County AHRC Foundation, Inc. and Affiliates, and our report dated August 25, 2017 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

The consolidating information is presented for purposes of additional analysis for the consolidated financial statements rather than to present the financial position, results of operations, and cash flows 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

June 29, 2018

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position (with comparative totals for 2016)

December 31,	2017	2016
Assets		
Current		
Cash and cash equivalents	$ 11,229,754	$ 14,957,683
Investments, at fair value	26,598,177	22,223,222
Accounts receivable, net	10,777,982	10,829,436
Contributions receivable, net	31,825	18,410
Accrued interest receivable	2,833	13,658
Prepaid expenses and other assets	1,032,475	814,923
Due from non-controlled affiliated organizations, current portion	275,827	278,495
Total Current Assets	49,948,873	49,135,827
Due from Non-Controlled Affiliated Organizations, Net of Current Portion	2,054,992	2,327,504
Assets Held for Specific Purpose	117,756	117,734
Loan Receivable from E-Works Electronics Services, Inc.	-	250,000
Subvention Loan Receivable from Advantage Care Diagnostic and Treatment Center, Inc.	862,689	917,364
Deferred Charges	112,981	129,928
Computer Software, Net	912,046	978,494
Investment in Computer Software - Managed Care Organization	746,480	746,480
Investment in E-Works Electronics Services, Inc.	-	250,000
Investment in Managed Care Organization	2,051,684	2,051,684
Fixed Assets, Net	46,428,396	45,468,750
Total Assets	$ 103,235,897	$ 102,373,765
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,951,031	$ 2,924,977
Accrued payroll and payroll related costs	5,789,976	5,364,396
Reserve for potential liabilities	1,340,965	832,511
Due to non-controlled affiliated organizations, current	2,141,660	2,169,113
Line of credit	2,623,439	1,287,646
Mortgages payable, current portion	314,638	399,845
Bonds payable, current portion	3,744,000	3,941,000
Total Current Liabilities	18,905,709	16,919,488
Deferred Revenue	234,762	252,501
Mortgages Payable, Net of Current Portion	905,510	1,219,875
Bonds Payable, Net of Current Portion and Deferred Financing Costs	18,628,391	21,983,697
Total Liabilities	38,674,372	40,375,561
Commitments and Contingencies		
Net Assets		
Unrestricted	58,985,195	56,689,897
Temporarily restricted	5,576,330	5,308,307
Total Net Assets	64,561,525	61,998,204
Total Liabilities and Net Assets	$ 103,235,897	$ 102,373,765

See accompanying notes to consolidated financial statements.

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statements of Activities
(with comparative totals for 2016)

Year ended December 31,

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Revenue				
Program Service Fees				
Education services	$ 42,322,633	$ -	$ **42,322,633**	$ 41,505,402
Residential services	18,664,422	-	**18,664,422**	16,605,668
Intermediate care facility services	16,825,450	-	**16,825,450**	13,597,357
Camp Loyaltown	4,725,547	-	**4,725,547**	3,404,586
Medicaid Service Coordination	2,367,598	-	**2,367,598**	2,557,486
Crisis respite services	704,174	-	**704,174**	785,457
Family support services	318,719	-	**318,719**	323,419
Self-direction	226,494	-	**226,494**	13,910
Total Program Service Fees	86,155,037	-	**86,155,037**	78,793,285
Rental income	2,067,775	-	**2,067,775**	2,497,204
Contributions	804,838	442,932	**1,247,770**	1,244,769
Service fees	70,744	-	**70,744**	76,138
Government grants	1,061,373	-	**1,061,373**	1,671,558
Special events, net of direct expense of $97,108	517,030	-	**517,030**	566,475
Other revenue	298	-	**298**	1,397,790
Net assets released from restrictions	174,909	(174,909)	**-**	
Total Revenue	90,852,004	268,023	**91,120,027**	86,247,219
Expenses				
Program expenses:				
Education services	39,909,753	-	**39,909,753**	39,408,282
Residential services	16,436,061	-	**16,436,061**	13,833,899
Intermediate care facility services	16,270,334	-	**16,270,334**	11,245,566
Camp Loyaltown	3,863,632	-	**3,863,632**	3,006,523
Medicaid Service Coordination	2,090,849	-	**2,090,849**	2,300,046
Crisis respite services	881,739	-	**881,739**	809,612
Family support services	350,234	-	**350,234**	330,745
Self-direction	306,603	-	**306,603**	19,831
Grants	289,000	-	**289,000**	565,000
Other	4,684,805		**4,684,805**	5,192,037
Total Program and Other Operating Expenses	85,083,010	-	**85,083,010**	76,711,541
Supporting services:				
Management fee	4,271,984	-	**4,271,984**	3,585,196
Management and general	2,515,327	-	**2,515,327**	2,641,226
Fundraising - contracted services	110,620	-	**110,620**	127,220
Professional services	325,352	-	**325,352**	65,171
Total Supporting Services Expenses	7,223,283	-	**7,223,283**	6,418,813
Total Expenses	92,306,293	-	**92,306,293**	83,130,354
Operating Income (Loss)	(1,454,289)	268,023	**(1,186,266)**	3,116,865
Non-Operating Income				
Investment Income	3,532,269	-	**3,532,269**	2,169,803
Interest and other income	217,318	-	**217,318**	226,789
Total Non-Operating Income	3,749,587	-	**3,749,587**	2,396,592
Change in Net Assets	2,295,298	268,023	**2,563,321**	5,513,457
Net Assets, Beginning of Year	56,689,897	5,308,307	**61,998,204**	56,484,747
Net Assets, End of Year	$ 58,985,195	$ 5,576,330	$ **64,561,525**	$ 61,998,204

See accompanying notes to consolidated financial statements.

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows
(with comparative totals for 2016)

December 31,	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	$ **2,563,321**	$ 5,513,457
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**4,554,907**	4,692,011
Interest expense related to deferred financing costs	**388,694**	580,308
Realized gains on investments	**(811,350)**	(223,988)
Unrealized gains on investments	**(2,195,888)**	(1,487,132)
Provision for bad debt	**500,000**	579,025
Donated fixed assets	**(153,363)**	-
Decrease (Increase) In Assets		
Accounts receivable	**51,454**	(765,184)
Contributions receivable	**(13,415)**	461,538
Accrued interest receivable	**10,825**	2,045
Prepaid expenses and other assets	**(217,552)**	(185,169)
Due from non-controlled affiliated organizations	**275,180**	377,332
Assets held for specific purpose	**(22)**	347,306
Deferred charges	**16,947**	16,947
Increase (Decrease) in Liabilities		
Accounts payable & accrued expenses	**26,054**	490,945
Accrued payroll and payroll related costs	**425,580**	245,185
Reserve for potential liabilities	**508,454**	(3,649,511)
Due to non-controlled affiliated organizations	**(27,453)**	2,917,403
Deferred revenue	**(17,739)**	15,539
Net Cash Provided by Operating Activities	**5,884,634**	9,928,057
Cash Flows from Investing Activities		
Purchases of fixed assets	**(5,176,382)**	(5,343,669)
Additional loan provided to E-Works Electronics Services, Inc.	**-**	(262,500)
Proceeds received from subvention loan receivable	**54,675**	57,406
Purchases of computer software	**(118,360)**	(59,833)
Proceeds received from investment in computer software	**-**	46,306
Purchases of investments	**(3,576,803)**	(955,617)
Proceeds from sale of investments	**2,209,086**	1,177,080
Net Cash Used in Investing Activities	**(6,607,784)**	(5,340,827)
Cash Flows from Financing Activities		
Proceeds from line of credit	**1,335,793**	705,354
Repayments on line of credit	**-**	(26,905)
Principal payment made on mortgages payable	**(399,572)**	(398,813)
Principal payment made on bonds payable	**(3,941,000)**	(4,640,000)
Net Cash Used in Financing Activities	**(3,004,779)**	(4,360,364)
Change in Cash and Cash Equivalents	**(3,727,929)**	226,866
Cash, Beginning of Year	**14,957,683**	14,730,817
Cash, End of Year	$ **11,229,754**	$ 14,957,683
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ **743,248**	$ 818,395

See accompanying notes to consolidated financial statements.

1. Description of Organization and Principles of Consolidation

Nature of Operations

Nassau County AHRC Foundation, Inc. (AHRC Foundation) is a fundraising and grant-making not-for-profit corporation which supports programs to benefit children and adults who have an intellectual and/or developmental disability. AHRC Foundation is a primary source of philanthropic support for its related entities, Brookville Children for Children's Services, Inc. (BCCS) and Citizens Options Unlimited, Inc. (Citizens Unlimited), in addition to providing grant awards to non-controlled entities such as NYSARC, Inc. Nassau County Chapter (AHRC Nassau), Advantage Care Diagnostic & Treatment Center, Inc. (Advantage Care) and community-based not-for profit organizations. AHRC Foundation's primary support is derived from contributions and special events.

Controlled Entities

AHRC Foundation is the sole member of Community Services Support Corporation (CSSC), Citizens Options, BCCS, Life Care Data Exchange (LCDX) and Metropolitan Community Partners, Inc. (MCP). Accordingly, members of AHRC Foundation's Board of Directors have authority to approve changes to CSSC, Citizens Options, BCCS, LCDX and MCP by-laws and may appoint members of their Board of Directors.

BCCS is a not-for-profit organization that provides educational services to children with intellectual and other developmental disabilities and day care services for children in five locations in Nassau County, New York. BCCS serves over 1,000 children from the ages of birth through twenty- one years of age in classroom and home-based environments by offering developmentally appropriate, child-centered activities and providing opportunities for hands-on integrated learning through real-life experiences. BCCS also provides child care services in its day care programs. BCCS is licensed by the New York State Education Department (SED), as well as the New York State Office for People with Developmental Disabilities (OPWDD). BCCS is supported primarily by tuition fees paid by Nassau County, New York City Board of Education (NYCBOE) and local school districts. In addition, BCCS obtains grant funding through the Individuals with Disabilities in Education Act (IDEA). BCCS also operates a Children's Residential Program (CRP) which is funded by OPWDD. The program provides residential services in four locations to twenty-five children diagnosed with autism who attend BCCS' school-age programs.

Citizens Options is a not-for profit organization that provides individualized residential alternative services (IRA), residential respite services, intermediate care facility services (ICF) and Medicaid service coordination (MSC) for individuals with intellectual and other developmental disabilities. Additionally, Citizens Options operates Camp Loyaltown in Hunter, New York, a respite program providing services to developmentally disabled children and adults. Citizens Options is governed by its own Board of Directors, which is responsible for its operations. Citizens Options is supported primarily by service fees paid by various New York State and local government agencies. During the quarter ended March 31, 2017, Citizens Options assumed program operations with annual revenue of approximately $2.8 million from another agency, consisting of two ICFs in Melville, NY serving nineteen persons, one of which opened on February 16, 2017 and the other which opened on March 16, 2017. Citizens Options continually pursues growth opportunities to expand its program services.

MRCS V, Inc. (MRCS V) is a not-for-profit organization. Its purpose is to operate and maintain two residences, located in Commack and Greenlawn, New York, for twelve developmentally disabled adults. MRCS V became operational in September 2016. Funding is derived primarily from rental fees paid by tenants and the United States Department of Housing and Urban Development (HUD) under Section 811 of the National Affordable Housing Act, Supportive Housing for Persons with

Disabilities. Citizens Options is the sole member of MRCS V and appoints the Board of Directors of MRCS V. As such, the financial statements of Citizens Options include the accounts of MRCS V (collectively, Citizens). All intercompany transactions and balances have been eliminated in the consolidating financial statements of Citizens.

CSSC is a not-for-profit organization that holds title to and maintains buildings and properties for various programs operated by NYSARC, Inc. Nassau County Chapter (AHRC Nassau), Citizens Options, BCCS and Advantage Care Diagnostic and Treatment Center, Inc. (Advantage Care). Revenues are derived mainly from the rental of these facilities. In March 2016, CSSC changed its name from Community Services for the Mentally Retarded, Inc. to more appropriately reflect the organization's mission and nature of services provided.

LCDX became operational in January 2015 for the purpose of investing in development of care coordination software for licensing to third-party service providers to developmentally disabled persons. LCDX is a single-member LLC.

MCP was legally formed in October 2017 to help facilitate the provision of services to persons with intellectual and developmental disabilities through the combination of services with other not-for-profit entities throughout the metropolitan New York City area and New York State. MCP is not yet active. As such, there is no activity to report as of and for the year ended December 31, 2017.

The accompanying consolidated financial statements include the accounts of AHRC Foundation, BCCS, Citizens, CSSC and LCDX (collectively, the Foundation). All intercompany transactions and balances have been eliminated in the consolidated financial statements.

Non-Controlled Affiliated Organizations

AHRC Nassau

AHRC Nassau is one of forty-eight New York State county chapters of NYSARC, Inc. NYSARC, Inc. is a membership corporation formed in 1949 for all county chapters. AHRC Nassau is governed by its own Board of Directors and is operated under guidelines promulgated by NYSARC, Inc. AHRC Nassau provides residential, day habilitation, vocational and other services to individuals with developmental disabilities in Nassau County, New York. AHRC Nassau is supported primarily by service fees paid by various New York State agencies and government grants.

Certain administrative services are provided to the Foundation by AHRC Nassau, a non-controlled affiliated organization. These services are provided pursuant to the terms of an administrative services agreement and include, but are not limited to, leadership consulting, purchasing, accounts payable, payroll, human resources, accounting, budgeting and financial reporting.

Advantage Care

Advantage Care specializes in the treatment of health care challenges faced by persons with developmental disabilities. Advantage Care is supported primarily by service fees paid by the New York State Department of Health (NYSDOH), Medicare and Medicaid. Advantage Care is a health care facility that operates a medical services clinic and autism services clinic. Medical services are provided by clinic staff trained in clinical specialties such as primary medical care, psychiatric, gynecology, dental care, podiatry and neurology services. Prior to June 8, 2015, the Foundation was the sole member of Advantage Care. Effective June 8, 2015, Advantage Care became a Federally Qualified Health Center (FQHC) and entered into a sub-recipient agreement with Hudson River Health Care, LLC (HRH).

Certain fundraising activities and related support are provided to Advantage Care by the Foundation. Advantage Care also leases approximately 10,300 square feet in its Brookville, NY location from CSSC.

The accounts of AHRC Nassau and Advantage Care are not included in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting. In the consolidated statements of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of the Foundation's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be presented in consolidated statements of financial position and that the amounts of change in each of those classes of net assets be presented in a consolidated statement of activities.

These classes are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to the stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities.

Unrestricted **–** The part of net assets that is neither permanently nor temporarily restricted by donor imposed stipulations.

Cash and Cash Equivalents

The Foundation considers all highly liquid instruments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

Fair Value Measurement

Accounting Standards Codification (ASC) 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Foundation would use in pricing the Foundation's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Foundation are traded. The Foundation estimates the price of any asset or liability for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets or liabilities would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Investments, at Fair Value

Investments are recorded at their fair values. Realized and unrealized gains or losses on investments are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets.

Accounts Receivable, Net

Accounts receivable, net are stated as unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on amounts due using the allowance method. The allowance method is based on experience and other circumstances, which may affect the ability of the agencies to meet their obligations. The Foundation's policy is to write off uncollectible amounts when management determines they will not be collected.

Fixed Assets, Net

Fixed assets, net are recorded at cost. Depreciation and amortization is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

Building and leasehold improvements	5-25 years
Cooperative apartments	15-50 years
Equipment	3-25 years

Leasehold improvements are amortized over the shorter of their useful lives or the remainder of the lease period.

The Foundation follows the policy of capitalizing all fixed asset acquisitions in excess of $5,000. Maintenance and repairs are charged to operations when incurred. When fixed assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Fixed assets purchased in starting up certain Medicaid-funded programs are funded up to approved amounts by OPWDD over a 60-month period in accordance with a rate notice issued by OPWDD. The amortization of fixed assets is consistent with the funding period. The Foundation records a deferred charge equal to the net future reimbursement it expects to realize in the operation of its programs. The deferred charge is amortized over the period of reimbursement. The Foundation expenses all non-reimbursable start-up costs.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2017, there have been no such losses.

Revenue Recognition

Revenue is earned as services are performed. Substantial funding is provided to Citizens and BCCS by state and local government agencies, as well as Medicaid. Funding levels are dependent on future allocations from such agencies. Certain funding streams are based on rates that are subject to audit by these agencies and approval of rate appeals made by Citizens and BCCS to these agencies. Any changes in rates resulting from audit adjustments or rate appeals are reflected in Citizens' and BCCS' consolidated financial statements when such rates are determined or can be reasonably estimated in the year the related services are rendered. Such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits or reviews.

The Foundation reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

CSSC's revenue is derived principally from the renting of various properties to AHRC Nassau, Citizens, BCCS and Advantage Care.

MRCS V's revenue is derived principally from the renting of apartments under one-year operating leases to eligible, very-low-income individuals. Tenant rental fees are supplemented by tenant assistance payments from HUD under a Housing Assistance Payment Contract, which is renewed annually.

Rental income for CSSC and MRCS V is recognized as earned pursuant to the terms of long-term rental agreements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentration of credit risk consist primarily of cash and cash equivalents. At times, the Foundation has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation insurance limits. These financial institutions have strong credit ratings, and management believes that credit risk related to these accounts is minimal.

Use of Estimates

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

Income Taxes

The Foundation is incorporated in the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required. There was no unrelated business income for the year ended December 31, 2017.

The Foundation adopted the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The implementation of ASC 740 had no impact on the Foundation's consolidated financial statements. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will recognize any liability for unrecognized tax benefits. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. The Foundation is subject to routine audits by taxing authorities.

Comparative Information

The consolidated financial statements include certain prior year summarized comparative information. With respect to the consolidated statement of financial position and consolidated statement of activities, the prior year information is presented in total, not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Recently Adopted Authoritative Guidance

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The standard was adopted by the Foundation in the year ended December 31, 2017.

Accounting Pronouncements Issued but Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14, which deferred the effective date for the Foundation until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria.

Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statements, as well as the effect on the statements of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions;" (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statements of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Foundation's consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2016 consolidated financial statements in order to conform to the 2017 presentation.

3. Investments, at Fair Value

Investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Foundation's policies regarding this hierarchy.

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. A description of the valuation techniques applied to the Foundation's assets measured at fair value are as follows:

Common Stocks, Stock Index Mutual Funds, and International Stocks - These investments are carried at their aggregate market value as determined by quoted market prices. These investments are classified as Level 1.

Mutual Funds – The Foundation has investments in publicly traded mutual funds which are carried at their aggregate market value as determined by quoted market prices. These investments are classified as Level 1. Additionally, the Foundation has investments in non-publicly traded mutual funds which are carried at the aggregate market value as determined by the fund manager. These investments are classified as Level 2.

Government Securities – These investments are priced by the investment managers using nationally-recognized pricing services. These investments are classified as Level 2.

Limited Partnership – Given the absence of market quotations, their fair value is estimated using information provided to the Foundation by the fund manager. The values are based on estimates that require varying degrees of judgment and are primarily based on financial data supplied by the fund manager. The financial statements of the fund are audited annually by nationally recognized firms of independent auditors. The Foundation does not directly invest in the underlying securities of the fund. These investments are classified as Level 3.

Investments at fair value as of December 31, 2017 are as follows:

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of December 31, 2017
Common Stocks	$ 6,571,358	$ -	$ -	$ 6,571,358
Stock Index Mutual Funds	6,872,771	-	-	6,872,771
Mutual Funds	2,114,052	4,000,595	-	6,114,647
International Stocks	3,376,201	-	-	3,376,201
Government Securities	-	3,135,555	-	3,135,555
Limited Partnership	-	-	527,645	527,645
	$ 18,934,382	$ 7,136,150	$ 527,645	$ 26,598,177

There have been no changes in the methodologies used at December 31, 2017. There were no changes between levels during the year ended December 31, 2017.

The table below sets forth a summary of changes in fair value of the Level 3 assets for the year ended December 31, 2017:

Year ended December 31, 2017

	Limited Partnership
Balance, beginning of year	$ -
Contributions	516,314
Investment income, net	11,331
Balance, end of year	$ 527,645

Investment income, net consists of the following for the year ended December 31, 2017:

Year ended December 31, 2017

Interest and dividends	$ 603,662
Unrealized gains	2,195,888
Realized gains	811,350
Investment fees	(78,631)
	$ 3,532,269

4. Accounts Receivable, Net

Accounts receivable, net consist of the following:

December 31, 2017

Education services	$	5,827,907
Residential		1,813,727
Intermediate care facility		1,290,908
Camp Loyaltown		910,308
Medicaid service coordination		384,672
Crisis respite		177,652
Family support		212,464
Self-direction		25,254
HUD		203,013
Other		17,270
		10,863,175
Less: Allowance for doubtful accounts		(85,193)
	$	10,777,982

5. Assets Held for Specific Purpose

Under the terms of the Nassau County Industrial Development Agency (IDA) bonds and the 2014 and 2012 Nassau County Local Economic Assistance Corporation (LEAC) bonds, assets held for specific purpose consist of cash and cash equivalents. As of December 31, 2017, the assets held for specific purpose amounted to $117,756.

6. Investment in and Loan Receivable from E-Works Electronics Services, Inc.

AHRC Foundation has an investment of $500,000 in E-Works Electronic Services, Inc. (EES), constituting a 50% interest in EES. EES operates an electronics recycling vocational program which provides educational, training and employment opportunities for persons with developmental disabilities. AHRC Foundation recorded a valuation allowance of $500,000 in the year ended December 31, 2017. The remaining value of the investment at December 31, 2017 is $-0-.

Additionally, in November 2015, AHRC Foundation's Board of Directors authorized a working capital loan to EES not to exceed $500,000, subject to further negotiation of interest rate and other repayment terms. AHRC Foundation recorded an allowance of $500,000 in the year ended December 31, 2017. The remaining net loan receivable as of December 31, 2017 is $-0-.

7. Subvention Loan Receivable

In February 2014, the Foundation entered into a subvention loan agreement with Advantage Care. Under the terms of the subvention loan agreement, Advantage Care may borrow up to $1.1 million pursuant to a promissory note payable for a period of fifteen years. Interest is payable monthly at the rate of two-thirds of the maximum interest rate authorized from time to time pursuant to Section 5-501 of the New York General Obligations Law or 5.0% per annum, whichever is lower (such rate being 4.0% per annum for the year ended December 31, 2017). Proceeds from this loan were used for the new Freeport clinic construction, equipment, furniture and fixtures, in connection with development of Advantage Care to a full service, managed care supporting organization. Interest income for the year ended December 31, 2017 was $32,731.

8. Investment in Computer Software

The Foundation has an investment in proprietary software that is used for billing, operating systems and documentation standards in accordance with regulatory requirements, for support to third-party providers of services to developmentally disabled persons. As of December 31, 2017, there was $746,780 invested.

9. Programmatic Investment

Programmatic investment by its nature meets two distinct criteria: (i) its primary purpose is to further the tax-exempt objectives of the organization, and (ii) the production of income or appreciation of the investment is not a significant purpose for making this investment.

As of December 31, 2017, the Foundation has an investment of $2,051,684 in a managed care organization (the MCO). The MCO was developed, by AHRC Nassau, together with four other chapters of NYSARC, Inc. in the New York City metropolitan area, to provide a broad range of support and services for people with developmental disabilities, in transition from a fee for service program model to a capitated, comprehensive care management model. The MCO operations commenced on April 1, 2016. The MCO consists of Partners Health Plan, Inc. (PHP), a New York not-for-profit corporation, the operating entity which will serve as a health management organization (HMO) for payment of claims for the support and services delivered to developmentally disabled populations in the geographic regions of each chapter. PHP is a licensed HMO under Article 44 of the New York State Public Health Law and is approved by Centers for Medicare and Medicaid Services (CMS) as a Fully Integrated Duals Advantage (FIDA) provider. PHP is the obligor for repayment of the investment pursuant to a subordinated note payable to each of the chapters. The carrying value and recoverability of the investment in the MCO will be periodically evaluated over the course of its operations. Since operations of the MCO have only recently commenced, no impairment has been identified and recorded as of December 31, 2017.

10. Fixed Assets, Net

Fixed assets, net, consist of the following:

December 31, 2017

Land	$	12,322,318
Buildings and leasehold improvements		95,135,220
Cooperative apartments		3,080,762
Equipment		6,069,027
		116,607,327
Less: Accumulated depreciation and amortization		(70,178,931)
	$	46,428,396

Depreciation and amortization expense for the year ended December 31, 2017 totaled $4,554,907.

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11. Due from (to) Non-Controlled Affiliated Organizations

Management Fee

Certain administrative services are provided by AHRC Nassau, a non-controlled affiliated organization, pursuant to terms of an administrative services agreement for which the Foundation incurred management fees of approximately $4,272,000 for the year ended December 31, 2017.

Rental Income

For the year ended December 31, 2017, included in rental income, are amounts earned from various non-controlled affiliated organizations. These amounts were as follows:

Year ended December 31, 2017		
AHRC Nassau	$	1,985,404
Advantage Care		26,835
	$	2,012,239

Tri-Party Agreement

On December 28, 2012, AHRC Nassau and Nassau Community Mental Retardation Services Company, Inc. (NCMRS) entered into a tri-party agreement (Tri-Party Lease) with CSSC. The Tri-Party Lease provided for CSSC's purchase of the corresponding receivable held by AHRC Nassau from NCMRS. NCMRS has a payable to CSSC in connection with the Tri-Party Lease for the December 28, 2012 LEAC Bonds Series G and K. The 2012 LEAC Bonds were established to refinance the outstanding debt of each of the Nassau County IDA Civic Facility Revenue Bond and the AHRC Nassau HSBC Line of Credit, of which the proceeds were used for improvements to the NCMRS property. As of December 31, 2017, the balance due to CSSC from NCMRS was approximately $893,000.

Debt Forgiveness - Acquisition of Property

CSSC entered into an agreement in January 2012 with AHRC Nassau and Mental Retardation Community Services of Nassau County - Project III, Inc. (MRCS III) for properties purchased by MRCS III and financed by CSSC. AHRC Nassau paid for a portion of property acquisitions on behalf of MRCS III in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. MRCS III realizes debt forgiveness commensurate with reimbursement amounts received by AHRC Nassau from OPWDD. The debt forgiveness amounted to $78,782 for the year ended December 31, 2017.

In accordance with a January 2012 agreement between AHRC Nassau, MRCS III and CSSC, the debt owed by MRCS III to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS III will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $676,944.

CSSC entered into an agreement in December 2014 with AHRC Nassau and Mental Retardation Community Services of Nassau County - Project IV, Inc. (MRCS IV) for properties purchased by MRCS IV and financed by CSSC. AHRC Nassau paid for a portion of property acquisitions on behalf of MRCS IV in a prior year. AHRC Nassau is being reimbursed for its funding of the property acquisitions by OPWDD over a number of years. AHRC Nassau forgives a portion of the debt due from MRCS IV as it receives reimbursement from OPWDD, and MRCS IV records a forgiveness of debt accordingly. The debt forgiveness amounted to $64,757 for the year ended December 31, 2017.

In accordance with a December 2014 agreement between AHRC Nassau, MRCS IV and CSSC, the debt owed by MRCS IV to AHRC Nassau was purchased by CSSC. Effective with this transaction, and with

substantially the same terms as the original agreement with AHRC Nassau as mentioned above, the debt owed by MRCS IV will be forgiven by CSSC. The remaining balance due to CSSC relating to this acquisition is $552,965. For the year ended December 31, 2017, MRCS IV paid a portion of this debt in the amount of $100,000, in addition to the debt forgiveness.

Guarantees of Obligations

CSSC unconditionally guarantees a Nassau County IDA bond financing agreement entered into by Advantage Care. At December 31, 2017, the outstanding balance carried by Advantage Care was $1,395,000. At December 31, 2017, Advantage Care was not in default of the scheduled bond payments.

CSSC unconditionally guarantees a lease agreement entered into by BCCS over the next eight years with minimum aggregate payments due of approximately $11,200,000. As of December 31, 2017, BCCS was not in default of the terms of the lease agreement.

CSSC unconditionally guarantees separate revolving lines of credit agreements for each of Citizens Options and BCCS, each in the amount of $2.0 million. As of December 31, 2017, there were no amounts outstanding under these agreements and there were no defaults under the terms of these agreements.

AHRC Foundation unconditionally guarantees a line of credit agreement entered into by EES up to $500,000.

AHRC Foundation unconditionally guarantees a lease agreement entered into by PHP over the period January 1, 2016 to May 30, 2022, with minimum aggregate payments due of approximately $1,625,000, or $25,000 per month. The Foundation may be released as guarantor on or after December 31, 2017, when PHP meets certain financial requirements.

Citizens Options unconditionally guarantees separate line of credit agreements for CSSC and BCCS in the amounts of $5 million and $2 million, respectively. At December 31, 2017, there were no amounts outstanding under the BCCS line of credit and there was approximately $2,623,000 outstanding under the CSSC line of credit. At December 31, 2017, there was no default of the terms of these agreements.

12. Capital Advance From HUD

MRCS V has a Capital Advance/Building Loan Agreement with HUD under Section 811 of the National Affordable Housing Act aggregating $1,396,400 with which it purchased and renovated community residences to provide housing for persons with disabilities.

The Capital Advance/Building Loan bears no interest and is not required to be repaid, as long as the housing remains available to eligible, very-low-income households for a period of forty years. This advance is reported as capital grant revenue and is recorded as temporarily restricted net assets.

As of December 31, 2017, there were related accounts receivable due from this advance in the amount of $203,013.

13. Lines of Credit

As of December 31, 2017, Citizens has an unsecured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed. The line of credit agreement requires that Citizens comply with certain financial covenants. Citizens was in compliance with its financial covenants as of December 31, 2017. The line of credit bears interest at the prevailing prime rate (such rate being 4.50% at December 31, 2017). There were no amounts borrowed under the line of credit and no interest expense incurred for the year ended December 31, 2017. The agreement expires on December 8, 2018 and may be renewed with the bank's approval.

As of December 31, 2017, BCCS has an unsecured revolving bank line of credit under which a maximum amount of $2.0 million can be borrowed. The line of credit agreement requires that BCCS comply with certain financial covenants. BCCS was in compliance with its financial covenants as of December 31, 2017. The line of credit bears interest at the prevailing prime rate (such rate being 4.50% at December 31, 2017). There were no amounts borrowed under the line of credit and no interest expense incurred for the year ended December 31, 2017. The agreement expires on December 8, 2018 and may be renewed with the bank's approval.

As of December 31, 2017, CSSC has a secured revolving bank line of credit with HSBC Bank, under which a maximum amount of $5.0 million can be borrowed. The line of credit agreement requires that CSSC comply with certain financial covenants. CSSC was in compliance with its financial covenants as of December 31, 2017. The line of credit bears interest at the prevailing prime rate (such rate being 4.50% at December 31, 2017). The line of credit is to be used to fund the acquisition of property and/or renovation of residents approved by OPWDD and the New York State Education Department, as applicable. The line of credit is secured by the assets of CSSC and guaranteed by each of BCCS, Citizens and the Foundation (collectively, the Guarantors). As of December 31, 2017, there was $2,623,439 outstanding under this line of credit. The agreement expires on December 8, 2018 and may be renewed with the bank's approval.

14. Mortgages Payable

On February 23, 2012, CSSC entered into mortgage loans with HSBC Bank for two residential properties. The loans are payable in monthly installments of $9,073 at interest rates of 4.17% and 4.19% per annum for each of these properties, which mature in February 2025 and May 2025, respectively.

CSSC has entered into loan agreements with FDC, acting by and through its agent, the Commissioner of OPWDD and its successors. The loans are secured by four residential properties. The loans bear interest at rates ranging from 3.33% to 7.82% and are payable in semi-annual installments through varying dates from February 2016 to February 2021.

Future minimum principal payments at December 31, 2017 for the next five years and in the aggregate are as follows:

Year ending December 31,		
2018	$	314,638
2019		247,477
2020		204,364
2021		118,977
2022		96,723
Thereafter		237,969
	$	1,220,148

15. Bonds Payable

On December 30, 2014, CSSC entered into a loan agreement with Israel Discount Bank (IDB), in the aggregate amount of $12,763,000. IDB purchased and holds bonds pursuant to a bond purchase agreement by and between IDB and Bank of New York Mellon as trustee. CSSC remits monthly payments of principal and interest to the trustee.

Nassau County AHRC Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

The bond purchase agreement consists of a series of four bonds, referred to as 2014 LEAC Bonds Series A through D. Proceeds from the bond purchase agreement were used by CSSC to refinance years 2007 and 2006 IDA bonds of $10.2 million, to purchase and/or renovate four new projects of $2.1 million and $500,000 to pay loan closing costs. The 2014 LEAC Bonds mature at varying dates from December 1, 2021 through January 1, 2030 with interest rates ranging from 2.35% to 4.50%. Series A through C bonds are tax-exempt bonds and Series D is a taxable bond.

Future minimum principal payments at the year ended December 31, 2017 for the next five years and in the aggregate are as follows:

Year ending December 31,		
2018	$	1,560,000
2019		1,585,000
2020		1,625,000
2021		1,485,000
2022		805,000
Thereafter		1,185,000
		8,245,000
Less: Unamortized balance of deferred financing costs		(243,468)
	$	8,001,532

On December 28, 2012, CSSC entered into loan agreements aggregating $31,299,000. These agreements consist of a separate agreement with each of two banks, TD Bank and IDB, with substantially identical terms in the amounts of $19,559,000 and $11,740,000, respectively. Each bank purchased and holds bonds pursuant to separate bond purchase agreements by and between each bank and U.S. Bank, NA, as trustee. CSSC remits monthly payments of principal and interest to the trustee.

The bond purchase agreements consist of a series of thirteen bonds, referred to as 2012 LEAC Bonds Series A through M. Proceeds from the bond purchase agreement were used by CSSC to refinance the then existing long-term debt of $22.6 million, to purchase and/or renovate three new projects for $6.5 million, and $2.2 million to pay loan closing costs. The 2012 LEAC Bonds mature at varying dates from April 1, 2015 through June 1, 2027 with interest rates ranging from 1.81% to 4.25%. Series A through L bonds are tax-exempt bonds and Series M is a taxable bond. The bond proceeds were deposited into bond funds held by U.S. Bank, NA which were used for purchase and renovations of the respective facilities and debt service repayments. U.S. Bank, NA has a lien on, and security interest in, the facilities, property, equipment and furnishings in addition to the rents, issues and profits generated by the facilities.

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Future minimum principal payments at December 31, 2017 for the next five years and in the aggregate are as follows:

Year ending December 31,		
2018	$	2,184,000
2019		2,151,000
2020		2,212,000
2021		2,284,000
2022		2,354,000
Thereafter		3,848,000
		15,033,000
Less: Unamortized balance of deferred financing costs		(662,141)
	$	14,370,859

The 2014 LEAC Bonds and the 2012 LEAC Bonds are subject to certain covenants. CSSC, along with the Foundation, Advantage Care, AHRC Nassau, BCCS and Citizens Options (collectively, the Institution) must maintain a specified debt service coverage ratio, a specified amount of unrestricted liquid net assets, and must deposit and maintain a specified average balance with each lender measured semi-annually on the last day of the second fiscal quarter and on the last day of each fiscal year. The Institution is in compliance with these covenants as of December 31, 2017.

16. Retirement Expense

Each of AHRC Foundation, BCCS and Citizens Options maintains a defined contribution plan, as defined by IRC Section 403(b), and is offered to all employees who have attained the age of 20-1/2 years, completed six months of service at the beginning of the contribution period, and have 1,000 hours of credited service. The annual employer contributions to the plans for AHRC Foundation and Citizens Options were 4% of total eligible salaries for all employees covered. The annual employer contributions to the BCCS plan were 6.5% of total eligible salaries for all employees covered. Total retirement expense for AHRC Foundation, BCCS and Citizens Options for the year ended December 31, 2017 was approximately $1,950,000.

17. Reserve for Potential Liabilities

The Foundation has entered into various contracts with OPWDD for the operation of various programs. As part of the agreements, OPWDD advanced funds for preoperational start-up costs, equipment, renovations, lease costs, real estate taxes and operations. The Foundation has agreed to repay OPWDD all of the above funds to the extent that such costs are reimbursed by Medicaid.

Revenues and receivables from government funded programs are subject to review and final determination of realizable rates by various regulatory agencies. Management has estimated a reserve for potential liabilities of approximately $1,341,000 as of December 31, 2017.

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18. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

December 31, 2017		
Camp Loyaltown general purposes	$	1,453,303
Autism programs		1,278,183
Special needs children		628,499
Camp Loyaltown capital projects		249,703
Parent associations		38,731
ICF services		17,160
Other		65,877
HUD time restriction		1,396,400
	$	5,576,330

Income earned on temporarily restricted net assets is expendable to support operations unless otherwise specified by the donor.

Net assets were released for the following purposes:

Year ending December 31, 2017		
Autism programs	$	65,268
Special needs children		32,641
Parent associations		39,890
CRP		3,805
Camp Loyaltown capital projects		32,262
Other		1,043
	$	174,909

19. Commitments and Contingencies

Leases

Citizens and BCCS lease various buildings, vehicles and equipment under operating leases. The leases are for various durations through December 31, 2066.

Future minimum lease payments at December 31, 2017 for the next five years and in the aggregate, are as follows:

Year ending December 31,		Buildings		Vehicles		Total
2018	$	1,217,025	$	538,402	$	1,755,427
2019		1,256,497		424,952		1,681,449
2020		1,297,153		273,081		1,570,234
2021		1,339,030		95,734		1,434,764
2022		1,382,162		9,839		1,392,001
Thereafter		4,703,986		-		4,703,986
Total	$	11,195,853	$	1,342,008	$	12,537,861

Rent expense for the year ended December 31, 2017 approximated $2,078,000.

Legal Matters

The Foundation is a party to certain routine legal actions and complaints arising in the ordinary course of business. Management is unable to determine at this time the likelihood of the outcomes. In the opinion of management, all such matters are adequately covered by insurance.

HUD Contingencies

MRCS V receives certain of its funding from HUD. Continuation of such funding is dependent on budgetary allocations from HUD. Such funding is subject to change and may have an effect on operations. Further, reimbursements under contracts are subject to audit by HUD on a regular basis. Liabilities, if any, resulting from these audits, are not presently determinable.

Pursuant to certain contractual obligations, MRCS V must operate the sites as residential facilities for the developmentally disabled for a period of forty years through 2056 from the date of construction, which began in 2016. In addition, the status of ownership must remain the same for this period.

New York State Office of the State Comptroller Audit

BCCS has been subject to an audit of its preschool programs by the New York State Office of the State Comptroller (NYSOSC). The preschool programs consist of the preschool segregated (SED Code 9100), preschool integrated (SED Code 9160) and the Special Education Itinerant Teacher (SED Code 9135) programs. The periods covered under audit are the fiscal years ended June 30, 2012 through June 30, 2014. The amounts subject to audit are total program expense of approximately $72.2 million. The NYSOSC issued their report dated October 4, 2017 with an aggregate recommended disallowance of $1,089,215, to which BCCS provided its response on November 1, 2017.

Management is challenging these findings and is presently unable to predict the ultimate outcome of the audit. Accordingly, no provision for loss has been recorded in the consolidated financial statements as of December 31, 2017 and for the year then ended.

20. Subsequent Events

The Foundation has evaluated subsequent events through June 29, 2018, the date the consolidated financial statements were available for issuance. There were no subsequent events requiring adjustments to the consolidated financial statements or disclosures as stated herein.

Supplementary Information

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidating Statement of Financial Position

Year ended December 31, 2017

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services Support Corporation	Life Care Data Exchange, LLC	Eliminations	Consolidated Total
Assets							
Current							
Cash and cash equivalents	$ 5,574,108	$ 2,454,333	$ 2,810,034	$ 379,346	$ 11,933	$ -	$ **11,229,754**
Investments, at fair value	24,825,880	-	480,971	1,291,326	-	-	**26,598,177**
Accounts receivable, net	-	6,117,761	4,651,283	12,327	4,943	(8,332)	**10,777,982**
Contributions receivable, net	31,825	-	-	-	-	-	**31,825**
Accrued interest receivable	2,833	-	-	-	-	-	**2,833**
Prepaid expenses and other assets	238,431	619,982	165,471	8,591	-	-	**1,032,475**
Due from Nassau County AHRC Foundation, Inc.	-	1,000	-	-	-	(1,000)	**-**
Due from non-controlled affiliated organizations, current portion	956	11,450	-	263,421	-	-	**275,827**
Due from controlled affiliates	-	1,158	-	-	-	(1,158)	**-**
Total Current Assets	30,674,033	9,205,684	8,107,759	1,955,011	16,876	(10,490)	**49,948,873**
Due from Non-Controlled Affiliated Organizations, Net of Current Portion	-	-	-	2,054,992	-	-	**2,054,992**
Assets Held for Specific Purpose	-	-	-	117,756	-	-	**117,756**
Loan Receivable from Life Care Data Exchange, LLC	176,218	-	-	-	-	(176,218)	**-**
Subvention Loan Receivable from Advantage Care Diagnostic and Treatment Center, Inc.	862,689	-	-	-	-	-	**862,689**
Deferred Charges	-	-	112,981	-	-	-	**112,981**
Computer Software, Net	-	-	-	-	912,046	-	**912,046**
Investment in Managed Care Organization	746,480	-	-	-	-	-	**746,480**
Investment in E-Works Electronics Services, Inc.	-	-	-	-	-	-	**-**
Investment in Computer Software - Managed Care Organization	2,051,684	-	-	-	-	-	**2,051,684**
Fixed Assets, net	155,413	3,976,539	6,779,851	35,516,593	-	-	**46,428,396**
Total Assets	$ **34,666,517**	$ **13,182,223**	$ **15,000,591**	$ **39,644,352**	$ **928,922**	$ **(186,708)**	$ **103,235,897**
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	$ 51,763	$ 1,013,595	$ 1,764,796	$ 55,873	$ 65,004	$ -	$ **2,951,031**
Accrued payroll and payroll related costs	66,421	3,625,534	2,098,021	-	-	-	**5,789,976**
Assets held for related organizations	8,332	-	-	-	-	(8,332)	**-**
Reserve for potential liabilities	-	369,777	971,188	-	-	-	**1,340,965**
Due to Nassau County AHRC Foundation, Inc.	-	-	-	-	176,218	(176,218)	**-**
Due to Non-Controlled Affiliated Organizations, current	31,182	865,573	1,244,905	-	-	-	**2,141,660**
Due to controlled affiliates	1,000	-	1,158	-	-	(2,158)	**-**
Line of credit	-	-	-	2,623,439	-	-	**2,623,439**
Mortgages payable, current portion	-	-	-	314,638	-	-	**314,638**
Bonds payable, current portion	-	-	-	3,744,000	-	-	**3,744,000**
Total Current Liabilities	158,698	5,874,479	6,080,068	6,737,950	241,222	(186,708)	**18,905,709**
Deferred Revenue	-	-	-	234,762	-	-	**234,762**
Mortgages Payable, Net of Current Portion	-	-	-	905,510	-	-	**905,510**
Bonds Payable, Net of Current Portion and Deferred Financing Costs	-	-	-	18,628,391	-	-	**18,628,391**
Total Liabilities	158,698	5,874,479	6,080,068	26,506,613	241,222	(186,708)	**38,674,372**
Commitments and Contingencies							
Net Assets							
Unrestricted	34,059,345	5,362,331	5,738,080	13,137,739	687,700	-	**58,985,195**
Temporarily restricted	448,474	1,945,413	3,182,443	-	-	-	**5,576,330**
Total Net Assets	34,507,819	7,307,744	8,920,523	13,137,739	687,700	-	**64,561,525**
Total Liabilities and Net Assets	$ **34,666,517**	$ **13,182,223**	$ **15,000,591**	$ **39,644,352**	$ **928,922**	$ **(186,708)**	$ **103,235,897**

Nassau County AHRC Foundation, Inc. and Affiliates

Consolidating Statement of Activities

Year ended December 31, 2017

	Nassau County AHRC Foundation, Inc.	Brookville Center for Children's Services, Inc.	Citizens Options Unlimited, Inc.	Community Services Support Corporation	Life Care Data Exchange, LLC	Eliminations	Total
Revenue							
Program Service Fees:							
Education services	$ -	$ 42,322,633	$ -	$ -	$ -	$ -	$ **42,322,633**
Residential services	-	5,583,469	13,080,953	-	-	-	**18,664,422**
Intermediate care facility services	-	-	16,825,450	-	-	-	**16,825,450**
Camp Loyaltown	-	-	4,725,547	-	-	-	**4,725,547**
Medicaid Service Coordination	-	-	2,367,598	-	-	-	**2,367,598**
Crisis respite services	-	-	704,174	-	-	-	**704,174**
Family support services	-	-	318,719	-	-	-	**318,719**
Self-direction	-	-	226,494	-	-	-	**226,494**
Total Program Service Fees	-	47,906,102	38,248,935	-	-	-	**86,155,037**
Rental Income	-	-	55,536	4,829,292	-	(2,817,053)	**2,067,775**
Contributions	754,605	265,887	227,278	-	-	-	**1,247,770**
Service Fees	-	-	-	-	70,744	-	**70,744**
Government Grants	-	1,061,373	-	-	-	-	**1,061,373**
Special Events, Net of Direct Expense	517,030	-	-	-	-	-	**517,030**
Other Revenue	-	-	298	-	-	-	**298**
Total Revenue	1,271,635	49,233,362	38,532,047	4,829,292	70,744	(2,817,053)	**91,120,027**
Expenses							
Program Expenses:							
Education services	-	40,981,357	-	-	-	(1,071,604)	**39,909,753**
Residential services	-	5,593,111	11,971,622	-	-	(1,128,672)	**16,436,061**
Intermediate care facility services	-	-	16,767,965	-	-	(497,631)	**16,270,334**
Camp Loyaltown	-	-	3,872,213	-	-	(8,581)	**3,863,632**
Medicaid Service Coordination	-	-	2,118,582	-	-	(27,733)	**2,090,849**
Crisis respite services	-	-	964,571	-	-	(82,832)	**881,739**
Family support services	-	-	350,234	-	-	-	**350,234**
Self-direction	-	-	306,603	-	-	-	**306,603**
Grants	289,000	-	-	-	-	-	**289,000**
Other	-	-	-	4,498,779	186,026	-	**4,684,805**
Total Program Expenses and Services	289,000	46,574,468	36,351,790	4,498,779	186,026	(2,817,053)	**85,083,010**
Supporting Services:							
Management fee	60,000	1,938,200	2,123,784	150,000	-	-	**4,271,984**
Management and general	919,221	1,399,577	195,938	-	591	-	**2,515,327**
Fundraising - contracted services	110,620	-	-	-	-	-	**110,620**
Professional services	-	-	-	24,470	300,882	-	**325,352**
Total Supporting Services Expenses	1,089,841	3,337,777	2,319,722	174,470	301,473	-	**7,223,283**
Total Expenses	1,378,841	49,912,245	38,671,512	4,673,249	487,499	(2,817,053)	**92,306,293**
Operating Income (Loss)	(107,206)	(678,883)	(139,465)	156,043	(416,755)	-	**(1,186,266)**
Non-Operating Activity							
Investment income (loss)	3,488,507	-	11,511	32,251	-	-	**3,532,269**
Interest and other income	212,135	5,183	-	-	-	-	**217,318**
Total Non-Operating Activity	3,700,642	5,183	11,511	32,251	-	-	**3,749,587**
Change in Net Assets	3,593,436	(673,700)	(127,954)	188,294	(416,755)	-	**2,563,321**
Net Assets, Beginning of Year	30,914,383	7,981,444	9,048,477	12,949,445	1,104,455	-	**61,998,204**
Net Assets, End of Year	$ 34,507,819	$ 7,307,744	$ 8,920,523	$ 13,137,739	$ 687,700	$ -	$ **64,561,525**

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APPENDIX B-II

DEVELOPMENTAL DISABILITIES INSTITUTE, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017)

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Developmental Disabilities Institute, Inc.

Financial Statements
Year Ended December 31, 2019

Developmental Disabilities Institute, Inc.

Financial Statements
Year Ended December 31, 2019

Developmental Disabilities Institute, Inc.

Contents

BDO
Tel: +212 885-8000
Fax: +212 697-1299
www.bdo.com
622 Third Avenue, 31st Floor
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Developmental Disabilities Institute, Inc.
Smithtown, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Developmental Disabilities Institute, Inc. (the Agency), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Developmental Disabilities Institute, Inc. as of December 31, 2019, and the results of changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have audited the Agency's 2018 financial statements and our report, dated May 28, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

July 30, 2020

Developmental Disabilities Institute, Inc.

Statement of Financial Position
(with comparative totals for 2018)

December 31,	2019	2018
Assets		
Current		
Cash and cash equivalents (Note 2)	$ 14,539,414	$ 9,948,712
Assets limited as to use, current portion (Notes 2 and 3)	331,086	1,493,278
Accounts receivable, net of allowance for doubtful accounts (Notes 2 and 4)	16,861,013	19,773,235
Government and other grants receivable (Notes 2 and 4)	673,317	1,051,163
Contributions and pledges receivable, current portion (Notes 2 and 5)	48,018	45,171
Prepaid expenses and other assets	1,404,145	3,649,199
Total Current Assets	33,856,993	35,960,758
Security Deposits	159,080	148,286
Right-of-Use Assets (Notes 2 and 13)	9,957,847	
Other Investment (Note 17)	22,747	22,747
Contributions and Pledges Receivable, Net, less current portion (Notes 2 and 5)	68,592	24,987
Assets Limited as to Use, less current portion (Notes 2 and 3)	4,905,636	4,917,326
Fixed Assets, Net (Notes 2, 6, 11, 12 and 20)	33,822,622	30,337,735
	$ 82,793,517	$ 71,411,839
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 5,289,348	$ 6,204,508
Accrued interest payable (Note 12)	263,184	151,207
Accrued payroll and related benefits	3,164,206	6,492,911
Accrued employer contribution payable (Note 7)	1,125,428	1,255,163
Deferred revenue, current portion (Note 2)	745,471	894,307
Operating lease liability, current portion (Note 13)	1,229,095	-
Capital lease obligations, current portion (Note 9)	875,806	644,503
Mortgages and loans payable, current portion, net of deferred financing costs (Note 11)	190,705	193,379
Bonds payable, current portion, net of deferred financing costs (Note 12)	2,191,559	2,033,208
Due to governmental agencies (Notes 2 and 8)	2,597,457	2,663,453
Total Current Liabilities	17,672,259	20,532,639
Deferred Revenue, less current portion (Note 2)	1,702,373	1,924,586
Operating Lease Liability, less current portion (Note 13)	8,879,780	-
Capital Lease Obligations, less current maturities (Note 9)	1,276,247	906,207
Mortgages and Loans Payable, less current maturities, net of deferred financing costs (Note 11)	1,349,055	1,535,196
Bonds Payable, less current maturities, net of deferred financing costs (Note 12)	21,183,812	16,998,519
Total Liabilities	52,063,526	41,897,147
Commitments and Contingencies (Notes 2,6,8,9,10,11,12,13,14,18, and 20)		
Net Assets		
Net assets without donor restrictions	30,309,258	29,133,950
Net assets with donor restrictions	420,733	380,742
Total Net Assets	30,729,991	29,514,692
Total Liabilities and Net Assets	$ 82,793,517	$ 71,411,839

See accompanying notes to financial statements.

Developmental Disabilities Institute, Inc.

Statement of Activities
(with comparative totals for 2018)

Year ended December 31,	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Program Revenues				
Fees for services	$ 103,540,106	$ -	**$ 103,540,106**	$ 99,103,660
Government and other grants	1,279,335	-	**1,279,335**	1,105,578
Other program revenues	2,716,455	-	**2,716,455**	2,745,440
Net assets released from restrictions (Note 15)	293,572	(293,572)	**-**	-
Total Program Revenues	107,829,468	(293,570)	**107,535,896**	102,954,678
Expenses				
Program services:				
Education services	35,343,695	-	**35,343,695**	33,957,084
Adult day services	20,833,281	-	**20,833,281**	19,596,071
Children's residential services	11,413,932	-	**11,413,932**	11,215,072
Adult residential services	32,876,070	-	**32,876,070**	31,116,451
Other program services	857,131	-	**857,131**	772,610
Total Program Services	101,324,109	-	**101,324,109**	96,657,288
Supporting services:				
Management and general	7,049,058	-	**7,049,058**	7,060,314
Fundraising	453,377	-	**453,377**	387,618
Total Supporting Services	7,502,435	-	**7,502,435**	7,447,932
Total Expenses	108,826,544	-	**108,826,544**	104,105,220
Change in Net Assets, before nonoperating revenues and expenses	(997,076)	(293,572)	**(1,290,648)**	(1,150,542)
Nonoperating Revenues and Expenses				
Capital campaign income	-	5,741	**5,741**	31,762
Capital campaign expenses	-	-	**-**	(73,712)
Net Revenues (Expenses) from Capital Campaign	-	5,741	**5,741**	(41,950)
Special events revenues	358,490	-	**358,490**	418,095
Direct cost to donors	(91,921)	-	**(91,921)**	(123,266)
Net Revenues from Special Events	266,569	-	**266,569**	294,829
Contributions	113,362	-	**113,362**	41,247
Gain on sale of fixed assets	60,897	-	**60,897**	29,557
Gain (loss) on other investment	4,849	-	**4,849**	(5,941)
Interest income	283,687	-	**283,687**	173,006
Other income	109,810	-	**109,810**	107,376
Prior-period income (Note 2)	1,333,210	-	**1,333,210**	3,549,635
Program-designated revenue	-	192,589	**192,589**	128,397
Board-restricted revenue	-	135,233	**135,233**	-
Total Nonoperating Revenues and Expenses	2,172,384	333,563	**2,505,947**	4,276,156
Change in Net Assets	1,175,308	39,991	**1,215,299**	3,125,614
Net Assets, beginning of year	29,133,950	380,742	**29,514,692**	26,389,078
Net Assets, end of year	$ 30,309,258	$ 420,733	**$ 30,729,991**	$ 29,514,692

See accompanying notes to financial statements.

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Developmental Disabilities Institute, Inc.

Statement of Functional Expenses
(with comparative totals for 2018)

Year ended December 31,

	Program Services						Supporting Services			Total	
	Education Services	Adult Day Services	Children's Residential Services	Adult Residential Services	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2019**	2018
Salaries and Related Expenses											
Salaries	$ 24,143,332	$ 12,226,748	$ 6,493,675	$ 20,891,207	$ 181,003	$ 63,935,965	$ 3,949,660	$ 247,997	$ 4,197,657	**$ 68,133,622**	$ 64,666,778
Payroll taxes and employee benefits	7,690,538	3,761,654	1,917,959	6,301,592	37,691	19,709,434	1,247,863	45,360	1,293,223	**21,002,657**	20,290,938
Total Salaries and Related Expenses	31,833,870	15,988,402	8,411,634	27,192,799	218,694	83,645,399	5,197,523	293,357	5,490,880	**89,136,279**	84,957,716
Other Expenses											
Fee-for-services professionals	7,902	150,027	94,185	109,722	-	361,836	97,510	6,737	104,247	**466,083**	343,314
Building occupancy	614,406	1,007,614	-	28,715	263,351	1,914,086	21,011	-	21,011	**1,935,097**	1,675,746
Telephone	177,121	243,868	65,488	178,992	13,084	678,553	47,474	2,865	50,339	**728,892**	670,006
Travel	50,173	90,914	8,949	53,435	2,422	205,893	24,922	11,265	36,187	**242,080**	232,646
Supplies	348,273	435,527	343,370	751,062	1,387	1,879,619	593,650	64,446	658,096	**2,537,715**	2,506,705
Food	836	21,827	413,717	906,072	-	1,342,452	229	-	229	**1,342,681**	1,295,249
Office expense	147,202	70,605	28,434	44,184	168	290,593	118,547	16,212	134,759	**425,352**	435,555
Dues and subscriptions	2,418	4,425	4,822	4,326	1,335	17,326	71,185	4,130	75,315	**92,641**	85,742
Postage	9,679	2,418	899	505	487	13,988	36,787	9,203	45,990	**59,978**	54,973
Meetings and conferences	2,280	13,122	2,550	16,445	-	34,397	14,361	1,757	16,118	**50,515**	53,971
Employee training and recruitment	172,542	90,882	62,181	121,900	59,051	506,556	106,484	2,938	109,422	**615,978**	648,449
Legal and accounting	28,514	4,056	187,737	54,086	-	274,393	163,937	901	164,838	**439,231**	250,636
Utilities	302,539	262,214	124,940	363,229	62,434	1,115,356	31,800	595	32,395	**1,147,751**	1,231,612
Repairs and maintenance	371,468	421,610	205,352	419,496	33,483	1,451,409	45,587	2,918	48,505	**1,499,914**	1,494,555
Equipment and furniture	124,003	46,137	36,390	39,664	23,236	269,430	92,465	10,923	103,388	**372,818**	446,686
Interest	195,899	182,351	173,827	452,203	98,223	1,102,503	49,325	379	49,704	**1,152,207**	1,086,928
Insurance	341,101	512,912	150,838	540,621	10,538	1,556,010	60,056	5,169	65,225	**1,621,235**	1,504,215
Medicaid assessment taxes	-	-	611,030	153,265	-	764,295	-	-	-	**764,295**	824,233
Debt-related expenses	-	-	-	-	-	-	28,895	-	28,895	**28,895**	20,202
Transportation subcontracting fees	-	27,333	-	-	-	27,333	-	-	-	**27,333**	41,034
Vehicle expense	24,029	554,277	32,530	293,200	199	904,235	2,416	75	2,491	**906,726**	966,235
Bad-debt expense	-	-	-	-	-	-	-	-	-	**-**	1,502
Contributions expense	-	-	-	-	-	-	-	-	-	**-**	1,940
Total Expenses, before depreciation and amortization	34,754,255	20,130,521	10,958,873	31,723,921	788,092	98,355,662	6,804,164	433,870	7,238,034	**105,593,696**	100,829,850
Depreciation and Amortization	589,440	702,760	455,059	1,152,149	69,039	2,968,447	244,894	19,507	264,401	**3,232,848**	3,275,370
Total Expenses	$ 35,343,695	$ 20,833,281	$ 11,413,932	$ 32,876,070	$ 857,131	$ 101,324,109	$ 7,049,058	$ 453,377	$ 7,502,435	**$ 108,826,544**	$ 104,105,220

See accompanying notes to financial statements.

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Developmental Disabilities Institute, Inc.

Statement of Cash Flows
(with comparative totals for 2018)

Year ended December 31,	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ **1,215,299**	$ 3,125,614
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**3,232,848**	3,275,370
Interest on debt issuance costs	**149,169**	109,364
Gain on sale of fixed assets	**(60,897)**	(29,557)
Provision for bad debt	**-**	1,502
Discount on pledges receivables	**2,904**	1,525
(Gain) loss on other investment	**(4,849)**	5,941
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**2,912,227**	(690,960)
Government and other grants receivable	**377,846**	(39,290)
Contributions and pledges receivable	**(49,356)**	128,679
Security deposits	**(10,794)**	50,000
Prepaid expenses and other assets	**2,245,054**	(946,902)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(915,160)**	1,757,388
Accrued interest payable	**111,977**	(26,001)
Accrued payroll and related benefits	**(3,328,705)**	179,173
Accrued employer contribution payable	**(129,735)**	375,579
Deferred revenue	**(371,049)**	(1,783,037)
Due to governmental agencies	**(65,996)**	(2,235,019)
Net Cash Provided by Operating Activities	**5,310,783**	3,259,369
Cash Flows from Investing Activities		
Purchases of fixed assets	**(5,323,198)**	(5,427,612)
Proceeds from sale of fixed assets	**75,418**	30,321
Proceeds from sale of investments, at fair value	**-**	4,996
Assets limited as to use	**1,178,731**	812,945
Net Cash Used in Investing Activities	**(4,069,049)**	(4,579,350)
Cash Flows from Financing Activities		
Right-of-use asset	**(9,957,847)**	-
Operating lease liability	**10,108,875**	-
Repayments on capital lease obligations	**(807,720)**	(828,703)
Principal payments on mortgages and loans payable	**(190,356)**	(181,539)
Proceeds from bonds payable	**6,316,016**	-
Principal payments on bonds payable	**(2,120,000)**	(2,095,000)
Net Cash Provided by (Used in) Financing Activities	**3,348,968**	(3,105,242)
Net Increase (Decrease) in Cash and Cash Equivalents	**4,590,702**	(4,425,223)
Cash and Cash Equivalents, beginning of year	**9,948,712**	14,373,935
Cash and Cash Equivalents, end of year	$ **14,539,414**	$ 9,948,712
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ **1,152,207**	$ 1,086,928
Noncash transaction related to capital leases	**1,409,063**	560,596

See accompanying notes to financial statements.

Developmental Disabilities Institute, Inc.

Notes to Financial Statements

1. Nature of the Organization

The Agency is a New York State not-for-profit corporation that operates health, education and residential facilities for the therapeutic education, guidance and training of developmentally disabled children, adults and their families. The Agency is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Agency has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2019.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Agency have been prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of the Agency's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets—with donor restrictions and without restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

With Donor Restrictions - Net assets with donor restrictions consists of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Agency reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor restricted contributions whose restrictions are met in the same reporting period are reported as without donor restriction. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Without Donor Restrictions - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Board designated certain net assets for construction and renovation at various program locations, as well as for information technology infrastructure. See Note 18 for more information on the composition of liquidity and availability of resources.

Cash and Cash Equivalents

The Agency considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Investments at Fair Value

Accounting Standards Codification (ASC) 820, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market-corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment, considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and its placement within the fair value hierarchy. The Agency classifies fair value balances based on the fair value hierarchy defined by ASC 820, as follows:

Level 1 - Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuation is based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements and equipment under capital leases are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

	Years
Buildings	18-40
Building improvements	5-40
Furniture and fixtures	3-20
Equipment and vehicles	2-15

Impairment of Fixed Assets

The Agency reviews fixed assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2019, there have been no such losses.

Contributions and Pledges Receivable

Contributions and pledges receivable, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Promises to give are recorded at the present value of estimated future cash flows, based on an appropriate discount rate at the time of the gift. Amortization of the discount in subsequent years is included in contribution revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions for capital projects are reported as nonoperating revenues. Conditional contributions, including conditional promises to give, are not recognized until the conditions are substantially met.

Unconditional promises to give are recorded in the financial statements at present value using a discount rate that represents risk-free interest rates applicable to the years in which promises are received. For the year ended December 31, 2019, the Agency used a discount rate of 3.42%.

Contributions receivable consist of $29,828 for the capital campaign and $86,781 for pledges receivable at December 31, 2019.

The capital campaign represents funds donated to the Agency for the purpose of renovations of the Little Plains School located in Huntington, New York and the Hollywood Drive campus located in Smithtown, New York, and expenses related to the capital campaign.

Third-Party Reimbursements and Revenue Recognition

The Agency receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies—primarily the Office for People with Developmental Disabilities (OPWDD), New York State Department of Health and the State Education Department (SED) of New York. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. The financial statement impact of such adjustments is recognized in the period in which the retroactive adjustment occurred.

Fee-for-service revenue is generated from services to individuals with developmental disabilities, education services, as well as other services. These amounts are due from third-party payors (including government programs), and others, and includes an estimate for variable consideration for retroactive revenue adjustments due to rate changes, settlement of audits and disallowances, reviews and investigations. Generally, the Agency submits fee-for-service claims to third-party payors electronically through a state-wide system several days after the services are performed.

Revenue is recognized as performance obligations are satisfied over time based on actual charges incurred in relation to total expected (or actual) charges. The Agency measures revenue from the commencement of services, to the continuation of services, and until services are no longer required. The Agency believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

As substantially all of its performance obligations relate to established rate agreements with a duration of less than one year, the Agency has elected, as part of their adoption of the new revenue standard, to apply the optional exemption provided in Accounting Standards Update (ASU) 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Throughout the year, rates may vary as determined by New York state, and the Agency will record additional revenue resulting from a rate increase and record a reduction of revenue with a rate decrease. These rate adjustments represent variable consideration in the form of explicit or implicit price concessions and the Agency considers these amounts in determination of the transaction price. The Agency determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Agency determines its estimates of explicit or implicit price concessions based on its historical collection experience.

Laws and regulations governing Medicaid programs are 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. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from Medicaid programs.

As a practical expedient, the Agency utilizes the portfolio approach for analyzing the revenue contracts. The Agency accounts for the contracts within each portfolio collectively, rather than individually, based on each revenue stream. The Agency considers the similar nature and characteristics of the contract and customers in using the portfolio approach. The Agency believes that the use of the portfolio approach to analyze contracts will not differ materially than if the contracts were analyzed individually.

The following table shows the Agency's revenue disaggregated by payor:

Year ended December 31, 2019		
Medicaid (OPWDD/Early Intervention)	$	65,276,803
School Districts (School Age)		17,958,111
County (Preschool/Early Intervention)		18,470,305
Long Island Select Healthcare (LISH)		619,360
Other		5,211,317
Total Revenue	$	107,535,896

The following table shows the Agency's revenue disaggregated by service line:

Year ended December 31, 2019		
OPWDD	$	65,276,803
SED		36,428,416
Other		5,830,677
Total Revenue	$	107,535,896

Revenue is recognized as earned from third parties and when received or pledged for contributions, special events and fundraising activities.

Deferred Revenue

Receipts that have not been spent are available for applicable future years and are, therefore, classified as deferred revenue. As of December 31, 2019, the total deferred revenue is $2,447,844.

Developmental Disabilities Institute, Inc.

Notes to Financial Statements

Prior-Period Income

The Agency records amounts related to retroactive rate and other adjustments as prior-period income on the statement of activities.

Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management. These expenses include depreciation, salaries, payroll taxes and employee benefits, and supplies. Depreciation is allocated based on estimated use of square footage. Other expenses are allocated based on estimates of time and effort.

Concentration of Credit Risk

Financial instruments that potentially subject the Agency to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Agency has cash deposits at financial institutions that exceed the Federal Depository Insurance Corporation insurance limits.

Income Taxes

The Agency was incorporated in the state of New York and is exempt from federal and state income taxes under Section 501(c)(3) of the Code and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the Agency has been determined by the IRS not to be "private foundations" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2019. Management believes that the Agency is no longer subject to income tax examinations for years prior to 2015.

Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Agency does not believe there are any material uncertain tax positions and, accordingly, they will not recognize any liability for unrecognized tax benefits. The Agency has filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, the Agency has filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2019, there was no interest or penalties recorded or included in the statement of activities.

Use of Estimates

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

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. With respect to the statement of activities, the prior-year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior-year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2018, from which the summarized information was derived in total but not by net asset class.

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Statement of financial position recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. The agency has adopted and reflected this pronouncement in these financial statements. See Note 13 for impact of adoption.

Reclassifications

Certain prior-year balances have been reclassified to be consistent with the current-year financial statement presentation.

3. Assets Limited as to Use

The cost and respective fair values of assets limited as to use are as follows:

December 31, 2019

	Cost	Fair Value
Cash and cash equivalents	$ 331,086	$ 331,086
Federated Treasury Obligations Fund	2,847,095	2,847,095
Debt service reserve fund - money market fund	2,053,695	2,058,541
Total	$ 5,231,876	$ 5,236,722

Assets limited as to use consists of cash held in banks for future contributions to the employee benefit plan and future workers compensation claims and debt service reserve funds.

The Agency's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Agency's policies regarding this hierarchy. A description of the valuation techniques applied to the Agency's major categories of assets measured at fair value is below.

The Agency has investments in treasury obligations. The Agency's custodian prices these investments using nationally recognized pricing services. The Agency's Federated Treasury Obligations Fund and debt service reserve fund are classified as Level 1 of the fair value hierarchy.

Developmental Disabilities Institute, Inc.

Notes to Financial Statements

The following table shows, by level within the fair value hierarchy, the Agency's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2019. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. There have been no changes in the levels from the prior year.

	Fair Value Measurement at Reporting Date			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Cash and cash equivalents	$ 331,086	$ -	$ -	$ 331,086
Federal Treasury Obligations Fund	132,757	-	-	132,757
2006 A-B Civic Facility Revenue Bonds:		-	-	
Federal Treasury Obligations Fund	66,772	-	-	66,772
2012 AA-AF Local Development Corp. Revenue Bond	2,189,796	-	-	2,189,796
2012 BA-BE County Economic Development Corp. Revenue Bond	457,770	-	-	457,770
Facilities Development Corporation (FDC) mortgages payable – debt service reserve fund	2,058,541	-	-	2,058,541
	$ 5,236,722	$ -	$ -	$ 5,236,722

4. Accounts Receivable, Net, and Government and Other Grants Receivable

Accounts receivable, net, and government and other grants receivable consists of the following:

December 31, 2019

Office for People with Developmental Disabilities	$ 6,088,904
New York State Education Department	10,402,803
Long Island Select Healthcare, Inc.	313,863
Other	55,443
Subtotal	16,861,013
Government and other grants	673,317
	$ 17,534,330

5. Contributions and Pledges Receivable, Net

At December 31, 2019, the net present value of contributions and pledges receivable is $116,609. The net present value of pledges receivable was calculated using a discount rate of 3.42%.

The net present value of pledges receivable is summarized below:

December 31, 2019		
Total contributions and pledges receivable	$	120,744
Discount		(4,134)
Net Present Value of Contributions Receivable	$	116,610
Amount due in:		
One year	$	48,018
Two to five years		72,725
	$	120,743

6. Fixed Assets, Net

Fixed assets, net, including equipment under capital leases, consists of the following:

December 31, 2019		
Land	$	6,616,383
Buildings and building improvements		50,625,069
Furniture, fixtures and office equipment		7,222,114
Vehicles under capital lease obligations		6,678,943
Machinery and equipment		158,384
IT equipment		2,197,065
Leasehold improvements		2,008,209
		75,506,167
Less: accumulated depreciation and amortization		(44,930,904)
Construction-in-progress		3,247,359
	$	33,822,622

Depreciation and amortization expense for the year ended December 31, 2019 was $3,232,848. The estimated cost to complete the construction-in-progress is $1,682,401.

7. Employee Benefit Plan

The Agency is the sponsor of a 403(b) tax-deferred annuity plan that covers all Agency employees meeting eligibility requirements. Employee contributions are immediately vested. The Agency also makes a discretionary contribution based upon a percentage of an employee's salary, which will become 100% vested after three or five years depending on date of hire. Accrued employer contribution payable for the year ended December 31, 2019 was $1,125,428. In 2019, employer contributions of $1,256,074 were made.

8. Due to Governmental Agencies

Due to governmental agencies consists of the following:

December 31, 2019		
Advances by funding sources to be recouped in future years	$	2,597,457

9. Capital Lease Obligations

Capital lease obligations consisted of the following:

December 31, 2019		
The Agency financed the cost of vehicles with notes payable in various monthly installments through 2023. The interest rates on these leases range from 4.97% to 7.44%.	$	2,152,053
Less: current maturities		(875,806)
	$	1,276,247

Future minimum principal payments and the present value of net minimum principal payments are as follows:

December 31,		
2020	$	982,641
2021		694,485
2022		476,860
2023		191,794
Total Minimum Lease Payments		2,345,780
Less: interest		(193,727)
Present Value of Net Minimum Lease Payments	$	2,152,053

10. Line of Credit

The Agency has a revolving line of credit with a bank of up to $9,000,000 and expires on August 31, 2020. Interest is charged at 3.75% per annum. There were no amounts outstanding at December 31, 2019. The line of credit is secured by outstanding accounts receivable excluding any receivables, subject to subordination agreements.

11. Mortgages and Loans Payable

Mortgages and loans payable consist of the following:

December 31, 2019		
Mortgage payable to FDC due February 2021, payable in semi-annual debt service payments ranging from $8,066 to $11,242, including interest at 5.61% per annum; secured by real estate located in Mt. Sinai, New York.	$	8,446
Various loans payable, due from January 2021 to July 2030, payable in current monthly installments ranging from $3,383 to $7,125, including interest from 3.65% to 5.49%; secured by related vehicles, land and buildings.		1,531,314
		1,539,760
Less: current maturities		(190,705)
	$	1,349,055

Mortgages and loans payable mature as follows:

Year ending December 31,		
2020	$	192,826
2021		152,677
2022		157,642
2023		165,778
2024		174,338
Thereafter		698,621
		1,541,882
Less: unamortized balance of deferred financing costs		(2,122)
	$	1,539,760

12. Bonds Payable

On October 13, 2005, the Agency obtained financing of $1,091,000 of Civic Facility Revenue Bonds through Suffolk County Industrial Development Agency (SCIDA) for the renovation and equipping of a facility located in East Patchogue, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2019, $105,000 remains outstanding.

On September 27, 2006, the Agency obtained financing of $3,857,000 of Civic Facility Revenue Bonds through Suffolk County Industrial Development Agency (SCIDA) to renovate properties located in Nesconset, NY, Commack, NY, Babylon, NY, Smithtown, NY and Bohemia, NY, and for acquisitions and renovations of properties located in Ridge, NY and Yaphank, NY. The bonds, which require quarterly interest payments, bear interest at 5.95%. At December 31, 2019, $640,000 remains outstanding.

On August 29, 2012, the Agency obtained financing of $20,016,071 through the Town of Huntington Local Development Corporation to renovate properties in Smithtown and Huntington, NY and to refinance outstanding amounts associated with financing obtained in 1993 and 1998 through SCIDA.

The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 3.8%. At December 31, 2019, $11,914,476 remains outstanding.

On August 29, 2012, the Agency obtained financing of $5,880,138 through the Suffolk County Economic Development Corporation to renovate properties in Hauppauge, NY and to refinance outstanding amounts associated with financing obtained in 1993, 1998 and 1999. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 4.4%. At December 31, 2019, $2,642,482 remains outstanding.

On October 5, 2016, the Agency obtained financing of $2,355,000 through the Dormitory Authority of New York State (DASNY) for properties in Deer Park, NY and Centereach, NY and to renovate properties in Smithtown, NY. The bond, which requires monthly interest payments, bears interest ranging from 1.5% to 4%. At December 31, 2019, $2,205,000 remains outstanding. These bonds are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of the Agency. As the conduit debt obligor, the Agency is required to make all interest and principal payments as they become due. The bonds are publicly held and therefore have additional financial reporting requirements.

On March 6, 2019, the Agency obtained financing of $6,720,000 through DASNY for properties in East Setauket, NY; Dix Hills, NY; Coram, NY; Miller Place, NY; Greenlawn, NY; and Smithtown, NY. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 4%. At December 31, 2019, $6,720,000 remains outstanding. These bonds are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of the Agency. As the conduit debt obligor, the Agency is required to make all interest and principal payments as they become due. The bonds are publicly held and therefore have additional financial reporting requirements.

The aggregate principal maturities are as follows:

Year ending December 31,		
2020	$	2,385,000
2021		2,390,000
2022		2,145,000
2023		2,514,558
2024		1,517,400
Thereafter		13,275,000
		24,226,958
Less: unamortized balance of deferred financing costs		(851,587)
	$	23,375,371

All bonds are secured by the related properties.

Interest expense related to the bonds for the year ended December 31, 2019 was $803,569.

13. Operating Leases

The Agency adopted ASU 2016-02 "Leases" (Topic 842) which resulted in recording total assets and liabilities increasing by approximately $9,957,800 and $10,108,900, respectively, due to the recognition of operating lease assets and liabilities. The Agency's statements of activities and statement of cash flows will not be materially impacted.

The Agency leases building and office space primarily for operation of day habilitation and educational services. The Agency estimates the expected lease term by assuming the exercise of renewal options where an economic penalty exists that would preclude the abandonment of the lease at the end of the initial non-cancelable term and the exercise of such renewal is at the sole discretion of the Agency. The expected lease term is used in the determination of whether a lease is a capital or operating lease and in the calculation of straight-line rent expense. Additionally, the useful life of leasehold improvements is limited by the expected lease term or the economic life of the asset, whichever is shorter. If significant expenditures are made for leasehold improvements late in the expected lease term and renewal is reasonably assured, the useful life of the leasehold improvement is limited to the end of the renewal period or economic life of the asset, whichever is shorter. Rent abatements and escalations are considered in the calculation of minimum lease payments in determining straight-line rent expense for operating leases.

Lessor accounting under the new guidance is consistent with the current model, with updates to align with certain changes to the lessee model and the new revenue standard (Topic 606). Similar to current guidance, lessors will classify leases as operating, direct financing, or sales-type. The Agency follows lessor accounting in respect of its sublease of clinic space in Riverhead, NY with Long Island Select Healthcare. These are considered operating leases under the current standard, as well as the new standard.

The standard will also require lessors to allocate (rather than recognize as currently required) certain variable payments to the lease and non-lease components when the changes in facts and circumstances on which the variable payment is based occur.

The new standard permits lessors, as an accounting policy election, to not evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. Instead, those lessors will account for those costs as if they are lessee costs. The Agency has made this accounting policy election. In addition, the new standard also allows lessors to exclude certain costs from variable payments, and therefore revenue, for lessor costs paid by lessees directly to third parties. The Agency has also made this accounting policy election.

The new standard also permits lessors, as an accounting policy election, to not separate lease and non-lease components if the non-lease components would otherwise be accounted for under Topic 606, the timing and pattern of both the lease and non-lease components is the same and the lease component would be accounted for as an operating lease under the new standard. The Agency has not made this accounting policy election.

The Agency has completed its assessment and implementation activities, which included compiling the lease inventory, concluding on industry issues and implementing transition controls over the new requirements. The Agency is expecting no impact to its financial position, operations or cash flows from the adoption of the new standard.

Pursuant to several lease agreements, the Agency is obligated for minimum annual rentals payable to nonrelated entities, as indicated below. The Agency is obligated for certain operating costs at these sites. The future minimum commitments to all nonrelated parties are as follows:

Year ending December 31,		
2020	$	1,791,138
2021		1,791,138
2022		1,667,939
2023		1,066,308
2024		775,109
Thereafter		6,378,585
Total Minimum Lease Payments	$	13,470,217

Total rental expense under noncancellable operating leases amounted to $1,714,737 for the year ended December 31, 2019.

14. Commitments and Contingencies

For the year ended December 31, 2019, revenues from Medicare and Medicaid programs accounted for a significant portion of the Agency's revenues. The Agency believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. In the event that noncompliance is determined, the Agency would be subject to regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs.

Additionally, the Agency is involved in certain disputes arising from the normal course of its businesses. In the opinion of management and on the advice of legal counsel, the expected outcome of such disputes, in the aggregate, will not have a material adverse effect on the Agency's financial position.

On July 15, 2015, the Agency entered into an irrevocable letter of credit amounting to $3,816,837 from a bank, which matures on July 1, 2020. The letter of credit was issued in conjunction with the Agency's workers' compensation policy. There were no outstanding borrowings at December 31, 2019.

15. Net Assets Released from Restrictions

During 2019, net assets with donor restrictions that were released from restrictions by incurring expenses satisfying the restricted purpose are as follows:

December 31, 2019		
Program-designated	$	227,845
Capital campaign		34,107
Board-restricted		31,620
	$	293,572

16. Net Assets with Donor Restrictions

Net assets with donor restrictions held for specific purposes are as follows:

December 31, 2019		
Program-designated	$	144,534
Capital campaign		172,585
Board-restricted		103,614
	$	420,733

17. Other Investment

The Agency owns a 12.5% interest in LI Alliance, LLC (the Alliance), which was established to strategically position the Agency and other Alliance members to participate in programs relating to delivery of care to persons with developmental disabilities and other disorders through managed care or other models. The Agency's interest in the Alliance amounted to $22,747 at December 31, 2019.

18. Liquidity and Availability of Resources

The Agency's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

December 31,		2019		2018
Cash and cash equivalents	$	14,539,414	$	9,948,712
Accounts receivable, net		16,861,013		19,773,235
Government and other grants receivable		673,317		1,051,163
Contributions and pledges receivable, current portion		48,018		45,171
Total Financial Assets Available Within One Year		32,121,762		30,818,281
Less:				
Amounts unavailable for general expenditures within one year, due to:				
Restricted by donors with purpose		420,733		380,742
Board-designated		2,379,031		3,050,063
Total Amounts Unavailable to Management Within One Year		2,799,764		3,430,805
Total Financial Assets Available to Management	$	29,321,998	$	27,378,476

Liquidity Management

As part of the Agency's liquidity management, the agency structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Additionally, the Agency has board-designated net assets without donor restrictions that, while the Agency does not intend to spend these for purposes other than those intended, the amounts could be made available for current operations if necessary.

To help manage unanticipated liquidity needs, the Agency has a line of credit of $9,000,000 that it could draw upon.

19. DDI Foundation Dissolution

During 2018, DDI Foundation was formally dissolved. All remaining assets and liabilities were transferred to the Agency as of September 28, 2018.

20. Subsequent Events

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

On March 27, 2020, the "Coronavirus Aid, Relief and Economic Security (CARES) Act" was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

The Agency's operations are heavily dependent on funding from New York State agencies including OPWDD and SED however the Agency continues to operate their facilities and provide the services needed for funding and fulfill its mission. The Agency also receives contributions from various sources and fundraises from special events however such amounts represent a small percentage of the Agency's revenues. While the full impact of the COVID-19 outbreak continues to evolve as of the date of this report, management continues to examine the impact that the COVID-19 outbreak and the CARES Act may have on the Agency. Currently, management is unable to determine the impact on the Agency's financial condition, results of operation or liquidity.

The Agency's management has performed subsequent events procedures through July 30, 2020, which is the date the financial statements were available to be issued, and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

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Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information
Year Ended December 31, 2018

Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information
Year Ended December 31, 2018

Developmental Disabilities Institute, Inc. and Affiliate

Contents

BDO

Tel: +212 885-8000
Fax: +212 697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

Board of Directors
Developmental Disabilities Institute, Inc. and Affiliate
Smithtown, New York

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Developmental Disabilities Institute, Inc. and Affiliate (collectively, the Agency and Affiliate), which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Developmental Disabilities Institute, Inc. and Affiliate as of December 31, 2018, and the results of changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit of the combined financial statements was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements, and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements, or to the combined financial statements themselves, and to 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 combined financial statements as a whole.

Report on Summarized Comparative Information

We have audited the Agency and Affiliate's 2017 combined financial statements and our report, dated May 23, 2018, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 28, 2019

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Financial Position (with comparative totals for 2017)

December 31,	2018	2017
Assets		
Current		
Cash and cash equivalents (Note 3)	$ 9,948,712	$ 14,373,935
Assets limited as to use, current portion (Note 3)	1,493,278	2,514,991
Investments, at fair value (Note 3)	-	4,996
Accounts receivable, net of allowance for doubtful accounts (Notes 3 and 5)	19,773,235	19,083,777
Government and other grants receivable (Note 3)	1,051,163	1,011,873
Contributions and pledges receivable, current portion (Notes 3 and 6)	45,171	146,217
Prepaid expenses and other assets	3,649,199	2,702,297
Total Current Assets	35,960,758	39,838,086
Security Deposits	148,286	198,286
Other Investment (Note 18)	22,747	28,688
Contributions and Pledges Receivable, Net, less current portion (Notes 3 and 6)	24,987	54,145
Assets Limited as to Use, less current portion (Note 4)	4,917,326	4,708,558
Fixed Assets, Net (Notes 3, 7, 12, 13 and 21)	30,337,735	27,625,661
	$ 71,411,839	$ 72,453,424
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 6,204,510	$ 4,447,122
Accrued interest payable (Note 13)	151,207	177,208
Accrued payroll and related benefits	6,492,909	6,313,736
Accrued pension payable (Note 8)	1,255,163	879,584
Deferred revenue, current portion (Note 3)	894,307	2,634,869
Capital lease obligations, current portion (Note 10)	644,503	765,696
Mortgages and loans payable, current portion (Note 12)	193,379	184,349
Bonds payable, current portion (Note 13)	2,033,208	1,972,176
Due to governmental agencies, current portion (Notes 3 and 9)	2,663,453	1,397,987
Total Current Liabilities	20,532,639	18,772,727
Deferred Revenue, less current portion (Note 3)	1,924,586	1,967,061
Capital Lease Obligations, less current maturities (Note 10)	906,207	1,053,121
Mortgages and Loans Payable, less current maturities (Note 12)	1,535,196	1,724,224
Bonds Payable, less current maturities (Notes 13 and 21)	16,998,519	19,046,728
Due to Governmental Agencies, less current portion	-	3,500,485
Total Liabilities	41,897,147	46,064,346
Commitments and Contingencies (Notes 3, 7, 9, 10, 11, 12, 13, 14, 15, 19, and 21)		
Net Assets		
Net Assets without donor restrictions	29,133,950	25,967,515
Net Assets with donor restrictions	380,742	421,563
Total Net Assets	29,514,692	26,389,078
	$ 71,411,839	$ 72,453,424

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Activities
(with comparative totals for 2017)

Year ended December 31,

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Program Revenues				
Fees for services	$ 99,103,660	$ -	**$ 99,103,660**	$ 95,260,259
Government and other grants	1,105,578	-	**1,105,578**	1,605,822
Other program revenues	2,745,440	-	**2,745,440**	2,093,993
Net assets released from restrictions (Note 16)	200,980	(200,980)	**-**	-
Total Program Revenues	103,155,658	(200,980)	**102,954,678**	98,960,074
Expenses				
Program services:				
Education services	33,957,084	-	**33,957,084**	31,910,552
Adult day services	19,596,071	-	**19,596,071**	18,311,200
Children's residential services	11,215,072	-	**11,215,072**	10,635,824
Adult residential services	31,116,451	-	**31,116,451**	28,943,230
Other programs	772,610	-	**772,610**	1,199,492
Total Program Services	96,657,288	-	**96,657,288**	91,000,298
Supporting services:				
Management and general	7,060,314	-	**7,060,314**	6,663,472
Fundraising	387,618	-	**387,618**	241,488
Total Supporting Services	7,447,932	-	**7,447,932**	6,904,960
Total Expenses	104,105,220	-	**104,105,220**	97,905,258
Change in Net Assets Before Nonoperating Revenues and Expenses	(949,562)	(200,980)	**(1,150,542)**	1,054,816
Nonoperating Revenues and Expenses				
Capital Campaign:				
Capital campaign income	-	31,762	**31,762**	71,812
Capital campaign expenses	(73,712)	-	**(73,712)**	(97,750)
Net Expenses from Capital Campaign	(73,712)	31,762	**(41,950)**	(25,938)
Special Events:				
Special events revenues	418,095	-	**418,095**	464,288
Less: direct cost to donors	(123,266)	-	**(123,266)**	(126,526)
Net Revenues from Special Events	294,829	-	**294,829**	337,762
Contributions	41,247	-	**41,247**	172,360
Gain on sale of fixed assets	29,557	-	**29,557**	59,270
Unrealized loss on other investment	(5,941)	-	**(5,941)**	(21,312)
Interest income	173,006	-	**173,006**	50,466
Other income	107,376	-	**107,376**	88,170
Prior-period income (Note 3)	3,549,635	-	**3,549,635**	48,757
Program designated revenue	-	128,397	**128,397**	-
Total Nonoperating Revenues and Expenses	4,115,997	160,159	**4,276,156**	709,535
Change in Net Assets	3,166,435	(40,821)	**3,125,614**	1,764,351
Net Assets, beginning of year	25,967,515	421,563	**26,389,078**	24,624,727
Net Assets, end of year	$ 29,133,950	$ 380,742	**$ 29,514,692**	$ 26,389,078

See accompanying notes to combined financial statements.

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Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Functional Expenses
(with comparative totals for 2017)

Year ended December 31,

	Program Services						Supporting Services			Total	
	Education Services	Adult Day Services	Children's Residential Services	Adult Residential Services	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2018**	2017
Salaries and Related Expenses											
Salaries	$ 22,553,254	$ 11,589,458	$ 6,599,109	$ 19,737,653	$ 98,639	$ 60,578,113	$ 3,917,692	$ 170,973	$ 4,088,665	**$ 64,666,778**	$ 59,708,996
Payroll taxes and employee benefits	7,671,867	3,598,298	1,834,587	5,838,771	31,267	18,974,790	1,265,440	50,708	1,316,148	**20,290,938**	20,231,199
Total Salaries and Related Expenses	30,225,121	15,187,756	8,433,696	25,576,424	129,906	79,552,903	5,183,132	221,681	5,404,813	**84,957,716**	79,940,195
Other Expenses											
Fee-for-services professionals	33,279	46,050	27,238	138,755	-	245,322	87,492	10,500	97,992	**343,314**	576,220
Building occupancy	474,758	935,314	4	97	244,732	1,654,905	20,841	-	20,841	**1,675,746**	1,711,914
Telephone	173,265	231,463	59,197	146,666	13,190	623,781	44,848	1,377	46,225	**670,006**	642,891
Travel	52,752	84,519	13,046	60,608	1,573	212,498	18,843	1,305	20,148	**232,646**	194,132
Supplies	597,668	272,314	323,569	695,931	5,679	1,895,161	538,529	73,015	611,544	**2,506,705**	1,876,863
Food	709	25,760	388,010	880,619	-	1,295,098	151	-	151	**1,295,249**	1,247,731
Office expense	156,519	56,492	26,267	39,513	126	278,917	118,779	37,859	156,638	**435,555**	426,102
Dues and subscriptions	19,209	6,886	2,456	6,838	1,353	36,742	45,375	3,625	49,000	**85,742**	97,246
Postage	8,634	1,943	812	585	367	12,341	41,887	745	42,632	**54,973**	61,661
Meetings and conferences	8,049	13,181	4,111	11,231	1,058	37,630	15,747	594	16,341	**53,971**	57,550
Employee training and recruitment	206,538	90,380	67,344	132,750	237	497,249	149,756	1,444	151,200	**648,449**	560,132
Legal and accounting	2,953	869	28,652	4,145	-	36,619	209,941	4,076	214,017	**250,636**	235,707
Utilities	356,935	260,190	128,328	383,954	68,008	1,197,415	33,734	463	34,197	**1,231,612**	1,126,021
Repairs and maintenance	373,506	398,556	214,883	410,237	51,849	1,449,031	38,966	6,558	45,524	**1,494,555**	1,230,506
Equipment and furniture	222,312	42,370	40,062	79,730	5,579	390,053	35,359	21,274	56,633	**446,686**	400,657
Interest	208,743	173,389	186,141	359,995	107,489	1,035,757	50,835	336	51,171	**1,086,928**	1,171,433
Insurance	314,863	478,607	140,577	501,689	10,841	1,446,577	57,335	303	57,638	**1,504,215**	1,370,123
Medicaid assessment taxes	-	-	615,195	209,038	-	824,233	-	-	-	**824,233**	824,707
Debt-related expenses	-	-	-	-	-	-	20,202	-	20,202	**20,202**	17,480
Transportation subcontracting fees	-	41,034	-	-	-	41,034	-	-	-	**41,034**	16,803
Vehicle expense	22,255	570,959	53,776	316,496	295	963,781	2,158	296	2,454	**966,235**	898,332
Bad debt expense	1,502	-	-	-	-	1,502	-	-	-	**1,502**	122,566
Contributions expense	-	-	-	-	-	-	-	1,940	1,940	**1,940**	1,385
Total Expenses Before Depreciation and Amortization	33,459,570	18,918,032	10,753,364	29,955,301	642,282	93,728,549	6,713,910	387,391	7,101,301	**100,829,850**	94,808,357
Depreciation and Amortization	497,514	678,039	461,708	1,161,150	130,328	2,928,739	346,404	227	346,631	**3,275,370**	3,096,901
Total Expenses	$ 33,957,084	$ 19,596,071	$ 11,215,072	$ 31,116,451	$ 772,610	$ 96,657,288	$ 7,060,314	$ 387,618	$ 7,447,932	**$ 104,105,220**	$ 97,905,258

See accompanying notes to combined financial statements.

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Combined Statement of Cash Flows
(with comparative totals for 2017)

Year ended December 31,		2018	2017
Cash Flows from Operating Activities			
Change in net assets	$	**3,125,614**	$ 1,764,351
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		**3,275,370**	3,096,901
Interest on debt issuance costs		**109,364**	119,351
Gain on sale of fixed assets		**(29,557)**	(59,270)
Provision for bad debt		**1,502**	122,566
Discount on pledges receivables		**1,525**	1,530
Loss on other investment		**5,941**	21,312
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable		**(690,960)**	(1,564,357)
Government and other grants receivable		**(39,290)**	51,174
Contributions and pledges receivable		**128,679**	(273,084)
Security deposits		**50,000**	-
Prepaid expenses and other assets		**(946,902)**	(78,651)
Increase (decrease) in:			
Accounts payable and accrued expenses		**1,757,388**	645,722
Accrued interest payable		**(26,001)**	41,251
Accrued payroll and related benefits		**179,173**	(1,240,053)
Accrued pension payable		**375,579**	(532,175)
Deferred revenue		**(1,783,037)**	(290,309)
Due to governmental agencies		**(2,235,019)**	607,041
Net Cash Provided by Operating Activities		**3,259,369**	2,433,300
Cash Flows from Investing Activities			
Purchase of other investment		**-**	(50,000)
Purchases of fixed assets		**(5,427,612)**	(2,091,966)
Proceeds from sale of fixed assets		**30,321**	84,073
Proceeds from sale of investments		**4,996**	-
Assets limited to use		**812,945**	519,668
Net Cash Used in Investing Activities		**(4,579,350)**	(1,538,225)
Cash Flows from Financing Activities			
Repayments on capital lease obligations		**(828,703)**	(803,178)
Principal payments on mortgages and loans payable		**(181,539)**	(209,501)
Principal payments on bonds payable		**(2,095,000)**	(1,945,000)
Net Cash Used in Financing Activities		**(3,105,242)**	(2,957,679)
Net Decrease in Cash and Cash Equivalents		**(4,425,223)**	(2,062,604)
Cash and Cash Equivalents, beginning of year		**14,373,935**	16,436,539
Cash and Cash Equivalents, end of year	$	**9,948,712**	$ 14,373,935
Supplemental Disclosures of Cash Flow Information			
Cash paid for interest	$	**1,086,928**	$ 1,052,294
Noncash transaction related to capital leases		**560,596**	1,109,548

See accompanying notes to combined financial statements.

1. Principles of Combination

The accompanying combined financial statements include the accounts of Developmental Disabilities Institute, Inc. (the Agency), which are related by certain common members of the Board of Directors and identical management.

As further discussed in Note 20, on June 28, 2018, the Foundation's Board of Directors approved a Plan of Dissolution for the Foundation and approved the transfer of all of the Foundation's assets to the Agency. The Foundation was dissolved on September 28, 2018.

All intercompany balances and transactions have been eliminated in combination.

2. Nature of the Organization

The Agency is a New York State not-for-profit corporation that operates health, education and residential facilities for the therapeutic education, guidance and training of developmentally disabled children, adults and their families. The Agency is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and therefore has made no provision for income taxes in the accompanying combined financial statements. In addition, the Agency has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2018.

3. Summary of Significant Accounting Policies

Basis of Presentation

The combined financial statements of the Agency have been prepared on the accrual basis. In the combined statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of the Agency's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets—with donor restrictions and without restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a combined statement of activities.

These classes are defined as follows:

With Donor Restrictions - Net assets with donor restrictions consists of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Agency reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the combined statements of activities as net assets released from restrictions.

Without Donor Restrictions - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Board of Directors designated certain net assets for construction and renovation at various program locations, as well as for information technology infrastructure. See Note 19 for more information on the composition of liquidity and availability of resources.

Cash and Cash Equivalents

The Agency considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Provision for Doubtful Accounts

The Agency provides an allowance for doubtful accounts for accounts receivable, which are specifically identified by management as to their uncertainty in regard to collectability. As of December 31, 2018, the total allowance for doubtful accounts is $540,516.

Investments at Fair Value

Accounting Standards Codification (ASC) 820, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market-corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and its placement within the fair value hierarchy. The Agency classifies fair value balances based on the fair value hierarchy defined by ASC 820, as follows:

Level 1 - Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Investment income is recognized when earned and consists of interest and dividends. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

Income Taxes

The Agency was incorporated in the State of New York and is exempt from federal and state income taxes under Section 501(c)(3) of the Code and, therefore, have made no provision for income taxes in the accompanying combined financial statements. In addition, the Agency has been determined by the IRS not to be "private foundations" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2018. Management believes that the Agency is no longer subject to income tax examinations for years prior to 2014.

Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Agency does not believe there are any material uncertain tax positions and, accordingly, they will not recognize any liability for unrecognized tax benefits. The Agency has filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, the Agency has filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2018, there was no interest or penalties recorded or included in the combined statement of activities.

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements and equipment under capital leases are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

	Years
Buildings	18-40
Building improvements	5-40
Furniture and fixtures	4-20
Equipment and vehicles	3-15

Impairment of Fixed Assets

The Agency reviews fixed assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2018, there have been no such losses.

Contributions and Pledges Receivable

Contributions and pledges receivable, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Promises to give are recorded at the present value of estimated future cash flows, based on an appropriate discount rate at the time of the gift. Amortization of the discount in subsequent years is included in contribution revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions for capital projects are reported as nonoperating revenues. Conditional contributions, including conditional promises to give, are not recognized until the conditions are substantially met.

Unconditional promises to give are recorded in the combined financial statements at present value using a discount rate that represents risk-free interest rates applicable to the years in which promises are received. For the year ended December 31, 2018, the Agency used a discount rate of 3%.

Contributions receivable consist of $61,158 for the capital campaign and $9,000 for pledges receivable at December 31, 2018.

The capital campaign represents funds donated to the Agency for the purpose of renovations of the Little Plains School located in Huntington, New York and the Hollywood Drive campus located in Smithtown, New York, and expenses related to the capital campaign.

Third-Party Reimbursements and Revenue Recognition

The Agency receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies—primarily the Office for People with Developmental Disabilities (OPWDD), Department of Health and the State Education Department of New York. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. The financial statement impact of such adjustments is recognized in the period in which the retroactive adjustment occurred.

Revenue is recognized as earned from third parties and when received or pledged for contributions, special events and fundraising activities.

Deferred Revenue

Receipts that have not been spent are available for applicable future years and are, therefore, classified as deferred revenue. As of December 31, 2018, the total deferred revenue is $2,818,893.

Prior-Period Income

The Agency records amounts related to retroactive rate and other adjustments as prior-period income on the combined statement of activities.

Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management. These expenses include depreciation, salaries, payroll taxes and employee benefits, and supplies. Depreciation is allocated based on estimated use of square footage. Other expenses are allocated based on estimates of time and effort.

Concentration of Credit Risk

Financial instruments that potentially subject the Agency to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Agency and Affiliate have cash deposits at financial institutions that exceed the Federal Depository Insurance Corporation insurance limits.

Use of Estimates

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

Comparative Financial Information

The combined financial statements include certain prior-year summarized comparative information. With respect to the combined statement of activities, the prior-year information is presented in total, not by net asset class. With respect to the combined statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's combined financial statements for the year ended December 31, 2017, from which the summarized information was derived in total but not by net asset class.

Recently Adopted Authoritative Guidance

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions;" (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Agency has adopted and reflected this pronouncement in these financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Agency is deemed to be a conduit bond obligor since its bond is held by the public and, therefore, has an effective date for annual reporting periods beginning after December 15, 2017. The Agency has adopted and reflected this pronouncement in these financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, "Accounting for Leases," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

Reclassifications

Certain prior year balances have been reclassified to be consistent with the current-year financial statement presentation.

4. Assets Limited as to Use

The cost and respective fair values of assets limited as to use at December 31, 2018 are as follows:

December 31, 2018

	Cost	Fair Value
Agency and Affiliate:		
Cash and cash equivalents	$ 1,493,278	$ 1,493,278
Federated Treasury Obligations Fund	3,999,816	3,999,816
Debt service reserve fund - money market fund	917,510	917,510
Total	$ 6,410,604	$ 6,410,604

Assets limited as to use consists of cash held in banks for future contributions to the employee benefit plan and future workers compensation claims.

The Agency's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 3 for a discussion of the Agency's policies regarding this hierarchy. A description of the valuation techniques applied to the Agency's major categories of assets measured at fair value is below.

The Agency has investments in treasury obligations. The Agency's custodian prices these investments using nationally recognized pricing services. The Agency's common stock, Federated Treasury Obligations Fund and debt service reserve fund are classified as Level 1 of the fair value hierarchy.

The following table shows, by level within the fair value hierarchy, the Agency's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2018. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. There have been no changes in the levels from the prior year.

December 31, 2018

	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Cash and cash equivalents	$ 1,493,278	$ -	$ -	$ 1,493,278
Federal Treasury Obligations Fund	153,591	-	-	153,591
2006 A-B Civic Facility Revenue Bonds:				
Federal Treasury Obligations Fund	65,228	-	-	65,228
2012 AA-AF Local Development Corp. Revenue Bond	3,327,756	-	-	3,327,756
2012 BA-BE County Economic Development Corp. Revenue Bond	452,347	-	-	452,347
Facilities Development Corporation (FDC) mortgages payable – debt service reserve fund	917,510	-	-	917,510
2004 A-C Civic Facility Revenue Bonds:				
Federal Treasury Obligations Fund	894	-	-	894
	$ 6,410,604	$ -	$ -	$ 6,410,604

5. Accounts Receivable, Net and Government and Other Grants Receivable

Accounts receivable, net and government and other grants receivable consists of the following:

December 31, 2018

Government and other grants	$ 1,051,163
Office for People with Developmental Disabilities	6,331,626
New York State Education Department	13,010,631
Long Island Select Healthcare, Inc.	765,595
Other	205,899
	21,364,914
Less: allowance for doubtful accounts	(540,516)
	$ 20,824,398

6. Contributions and Pledges Receivable, Net

At December 31, 2018, the net present value of contributions and pledges receivable is $70,158. The net present value of pledges receivable was calculated using a discount rate of 3%.

Net present value of pledges receivable is summarized below:

December 31, 2018		
Total contributions and pledges receivable	$	71,388
Discount		1,230
Net Present Value of Contributions Receivable	$	70,158
Amount due in:		
One year	$	45,171
Two to five years		26,217
	$	71,388

7. Fixed Assets, Net

Fixed assets, net, including equipment under capital leases, consists of the following:

December 31, 2018		
Land	$	5,991,251
Buildings and building improvements		45,900,491
Furniture, fixtures and office equipment		7,325,228
Vehicles under capital lease obligations		6,185,386
Machinery and equipment		183,194
IT equipment		1,795,770
Leasehold improvements		2,008,211
		69,389,531
Less: accumulated depreciation and amortization		(43,191,526)
Construction-in-progress		4,139,730
	$	30,337,735

The estimated cost to complete the construction-in-progress is approximately $3,316,000.

8. Employee Benefit Plan

The Agency is the sponsor of a 403(b) tax deferred annuity plan that covers all Agency employees meeting eligibility requirements. Employee contributions are immediately vested. The Agency also makes a discretionary contribution based upon a percentage of an employee's salary, which will become 100% vested after three or five years depending on date of hire. Accrued pension payable for the year ended December 31, 2018 was $1,255,163. In 2018, employer contributions of $879,768 were made.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

9. Due to Governmental Agencies

Due to governmental agencies consists of the following:

December 31, 2018		
Advances by funding sources to be recouped in future years	$	2,663,453

10. Capital Lease Obligations

Capital lease obligations consisted of the following:

December 31, 2018		
The Agency financed the cost of vehicles with notes payable in various monthly installments through 2022. The interest rates on these leases range from 5.36% to 7.44%.	$	1,550,710
Less: current maturities		(644,503)
	$	906,207

Future minimum principal payments and the present value of net minimum principal payments are as follows:

December 31,		
2019	$	725,446
2020		585,968
2021		297,812
2022		80,189
Total Minimum Lease Payments		1,689,415
Less: interest		(138,705)
Present Value of Net Minimum Lease Payments	$	1,550,710

11. Line of Credit

The Agency has a revolving line of credit with a bank of up to $9,000,000 and expires on August 31, 2019. Interest is charged at 3.75% per annum. There were no amounts outstanding at December 31, 2018. The line of credit is secured by outstanding accounts receivable excluding any receivables, subject to subordination agreements.

12. Mortgages and Loans Payable

Mortgages and loans payable consist of the following:

December 31, 2018		
Mortgage payable to FDC, due February 2021, payable in semi-annual debt service payments ranging from $8,066 to $11,242, including interest at 5.61% per annum; secured by real estate located in Mt. Sinai, New York.	$	27,928
Various loans payable, due from January 2021 to July 2030, payable in current monthly installments ranging from $3,383 to $7,125, including interest from 3.65% to 5.49%; secured by related vehicles, land and buildings.		1,700,647
		1,728,575
Less: current maturities		(193,379)
	$	1,535,196

Mortgages and loans payable mature as follows:

December 31,		
2019	$	194,920
2020		192,777
2021		152,640
2022		157,642
2023		165,778
Thereafter		868,481
		1,732,238
Less: unamortized balance of deferred financing costs		(3,663)
	$	1,728,575

13. Bonds Payable

(a) On October 13, 2005, the Agency obtained financing of $1,091,000 of Civic Facility Revenue Bonds through SCIDA for the renovation and equipping of a facility located in East Patchogue, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2018, $200,000 remains outstanding.

(b) On September 27, 2006, the Agency obtained financing of $3,857,000 of Civic Facility Revenue Bonds through SCIDA to renovate properties located in Nesconset, NY, Commack, NY, Babylon, NY, Smithtown, NY and Bohemia, NY, and for acquisitions and renovations of properties located in Ridge, NY and Yaphank, NY. The bonds, which require quarterly interest payments, bear interest at 5.95%. At December 31, 2018, $935,000 remains outstanding.

(c) On August 29, 2012, the Agency obtained financing of $20,016,071 through the Town of Huntington Local Development Corporation to renovate properties in Smithtown and Huntington, NY and to refinance outstanding amounts associated with financing obtained in 1993 and 1998 through SCIDA. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 3.8%. At December 31, 2018, $13,124,476 remains outstanding.

On August 29, 2012, the Agency obtained financing of $5,880,138 through the Suffolk County Economic Development Corporation to renovate properties in Hauppauge, NY and to refinance outstanding amounts associated with financing obtained in 1993, 1998 and 1999. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 4.4%. At December 31, 2018, $3,092,482 remains outstanding.

(d) On October 5, 2016, the Agency obtained financing of $2,355,000 through the Dormitory Authority of New York State for properties in Deer Park, NY and Centereach, NY and to renovate properties in Smithtown, NY. The bond, which requires monthly interest payments, bears interest ranging from 1.5% to 4%. At December 31, 2018, $2,275,000 remains outstanding. These bonds are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of the Agency. As the conduit debt obligor, the Agency is required to make all interest and principal payments as they become due. The bonds are publicly held and therefore have additional financial reporting requirements.

The aggregate principal maturities for the years ending December 31 are as follows:

December 31,		
2019	$	2,120,000
2020		2,205,000
2021		2,200,000
2022		1,950,000
2023		2,299,558
Thereafter		8,852,400
		19,626,958
Less: unamortized balance of deferred financing costs		(595,231)
	$	19,031,727

All bonds are secured by the related properties.

Interest expense related to the bonds for the year ended December 31, 2018 was $771,264.

14. Operating Leases

Pursuant to several lease agreements, the Agency are obligated for minimum annual rentals payable to nonrelated entities, as indicated below. The Agency is obligated for certain operating costs at these sites. The future minimum commitments to all nonrelated parties are as follows:

December 31,		
2019	$	1,140,207
2020		1,053,903
2021		1,082,455
2022		981,011
2023		379,272
Thereafter		348,506
Total Minimum Lease Payments	$	4,985,354

Total rental expense under noncancellable operating leases amounted to $1,526,729 for the year ended December 31, 2018.

15. Commitments and Contingencies

For the year ended December 31, 2018, revenues from Medicare and Medicaid programs accounted for a significant portion of the Agency's revenues. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Agency believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. In the event that noncompliance is determined, the Agency would be subject to regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs.

Additionally, the Agency is involved in certain disputes arising from the normal course of its businesses. In the opinion of management and on the advice of legal counsel, the expected outcome of such disputes, in the aggregate, will not have a material adverse effect on the Agency's financial position.

On July 15, 2015, the Agency entered into an irrevocable letter of credit amounting to $3,816,837 from a bank, which matures on July 1, 2019. The letter of credit was issued in conjunction with the Agency's workers' compensation policy. There were no outstanding borrowings at December 31, 2018.

16. Net Assets Released from Restrictions

During 2018, net assets with donor restrictions that were released from restrictions by incurring expenses satisfying the restricted purpose are as follows:

December 31, 2018	
Program-designated	$ 103,009
Capital campaign	97,971
	$ 200,980

17. Net Assets with Donor Restrictions

Net assets with donor restrictions held for specific purposes are as follows:

December 31, 2018	
Program designated	$ 181,077
Capital campaign	199,665
	$ 380,742

18. Other Investment

The Agency owns a 12.5% interest in LI Alliance, LLC (the Alliance), which was established to strategically position the Agency and other Alliance members to participate in programs relating to delivery of care to persons with developmental disabilities and other disorders through managed care or other models. The Agency's interest in the Alliance amounted to approximately $22,747 at December 31, 2018.

19. Liquidity and Availability of Resources

The Agency's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

December 31, 2018	
Cash	$ 9,948,712
Accounts receivable, net	19,773,235
Government and other grants receivable	1,051,163
Contributions and pledges receivable, current portion	45,171
Total Financial Assets Available Within One Year	30,818,281
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose	380,742
Board designated	3,050,063
Total Amounts Unavailable to Management Within One Year	3,430,805
Total Financial Assets Available to Management	$ 27,378,476

Liquidity Management

As part of the Agency's liquidity management, the agency structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Additionally, the Agency has board designated net assets without donor restrictions that, while the Agency does not intend to spend these for purposes other than those intended, the amounts could be made available for current operations if necessary.

To help manage unanticipated liquidity needs, the Agency has a line of credit of $9,000,000 that it could draw upon.

20. DDI Foundation Dissolution

During 2018, the Foundation was formally dissolved. All remaining assets and liabilities were transferred to the Agency as of September 28, 2018. As a result of the dissolution, the Agency recorded an increase to net assets amounting to $952,197.

21. Subsequent Events

On April 10, 2019, the Agency obtained financing of $6,720,000 through the Dormitory Authority of New York State for the purchase and renovations of properties in East Setauket, Dix Hills, Coram, Miller Place, and Greenlawn, NY and to renovate a Day Program property in Smithtown, NY. The bond, which requires monthly interest payments, bears interest ranging from 3.31% to 3.92%. These bonds are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of the Agency. As the conduit debt obligor, the Agency is required to make all interest and principal payments as they become due. The bonds are publicly held and therefore have additional financial reporting requirements.

The Agency's management has performed subsequent events procedures through May 28, 2019, which is the date the combined financial statements were available to be issued, and there were no subsequent events requiring adjustment to the combined financial statements or disclosures as stated herein.

Supplementary Information

Developmental Disabilities Institute, Inc. and Affiliate

Combining Schedule of Financial Position
(with comparative totals for 2017)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2018	Combined Total 2017
Assets					
Current					
Cash and cash equivalents	$ 9,948,712	$ -	$ -	**$ 9,948,712**	$ 14,373,935
Assets limited as to use, current portion	1,493,278	-	-	**1,493,278**	2,514,991
Investments, at fair value	-	-	-	**-**	4,996
Accounts receivable, net	19,773,235	-	-	**19,773,235**	19,083,777
Government and other grants receivable	1,051,163	-	-	**1,051,163**	1,011,873
Contributions and pledges receivable, current portion	45,171	-	-	**45,171**	146,217
Prepaid expenses and other assets	3,649,199	-	-	**3,649,199**	2,702,297
Total Current Assets	35,960,758	-	-	**35,960,758**	39,838,086
Security Deposits	148,286	-	-	**148,286**	198,286
Other Investment	22,747	-	-	**22,747**	28,688
Due From Affiliates	-	-	-	**-**	-
Contributions and Pledges Receivable, Net, less current portion	24,987	-	-	**24,987**	54,145
Assets Limited as to Use, less current portion	4,917,326	-	-	**4,917,326**	4,708,558
Fixed Assets, Net	30,337,735	-	-	**30,337,735**	27,625,661
	$ 71,411,839	$ -	$ -	**$ 71,411,839**	$ 72,453,424

Developmental Disabilities Institute, Inc. and Affiliate

Combining Schedule of Financial Position
(with comparative totals for 2017)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2018	Combined Total 2017
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	$ 6,204,510	$ -	$ -	**$ 6,204,510**	$ 4,447,122
Accrued interest payable	151,207	-	-	**151,207**	177,208
Accrued payroll and related benefits	6,492,909	-	-	**6,492,909**	6,313,736
Accrued pension payable	1,255,163	-	-	**1,255,163**	879,584
Due to affiliates	-	-	-	**-**	-
Deferred revenue, current portion	894,307	-	-	**894,307**	2,634,869
Capital lease obligations, current portion	644,503	-	-	**644,503**	765,696
Mortgages and loans payable, current portion	193,379	-	-	**193,379**	184,349
Bonds payable, current portion	2,033,208	-	-	**2,033,208**	1,972,176
Due to governmental agencies, current portion	2,663,453	-	-	**2,663,453**	1,397,987
Total Current Liabilities	20,532,639	-	-	**20,532,639**	18,772,727
Deferred Revenue, less current portion	1,924,586	-	-	**1,924,586**	1,967,061
Capital Lease Obligations, less current maturities	906,207	-	-	**906,207**	1,053,121
Mortgages and Loans Payable, less current maturities	1,535,196	-	-	**1,535,196**	1,724,224
Bonds Payable, less current maturities	16,998,519	-	-	**16,998,519**	19,046,728
Due to Governmental Agencies, less current portion	-	-	-	**-**	3,500,485
Total Liabilities	41,897,147	-	-	**41,897,147**	46,064,346
Net Assets					
Net Assets without donor restrictions	29,133,950	-	-	**29,133,950**	25,967,515
Net Assets with donor restrictions	380,742	-	-	**380,742**	421,563
Total Net Assets	29,514,692	-	-	**29,514,692**	26,389,078
	$ 71,411,839	$ -	$ -	**$ 71,411,839**	$ 72,453,424

Developmental Disabilities Institute, Inc. and Affiliate

Combining Schedule of Activities
(with comparative totals for 2017)

Year ended December 31,	Developmental Disabilities Institute, Inc.			DDI Foundation, Inc.			Combined Total	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	**2018**	2017
Program Revenues								
Fees for services	$ 99,103,660	$ -	$ 99,103,660	$ -	$ -	$ -	**$ 99,103,660**	$ 95,260,259
Government and other grants	1,105,578	-	1,105,578	-	-	-	**1,105,578**	1,605,822
Other program revenues	2,745,440	-	2,745,440	-	-	-	**2,745,440**	2,093,993
Net assets released from restrictions	43,575	(43,575)	-	157,405	(157,405)	-	**-**	-
Total Program Revenues	102,998,253	(43,575)	102,954,678	157,405	(157,405)	-	**102,954,678**	98,960,074
Expenses								
Program services:								
Education services	33,957,084	-	33,957,084	-	-	-	**33,957,084**	31,910,552
Adult day services	19,596,071	-	19,596,071	-	-	-	**19,596,071**	18,311,200
Children's residential services	11,215,072	-	11,215,072	-	-	-	**11,215,072**	10,635,824
Adult residential services	31,116,451	-	31,116,451	-	-	-	**31,116,451**	28,943,230
Other programs	772,610	-	772,610	-	-	-	**772,610**	1,199,492
Total Program Services	96,657,288	-	96,657,288	-	-	-	**96,657,288**	91,000,298
Supporting services:								
Management and general	7,060,314	-	7,060,314	-	-	-	**7,060,314**	6,663,472
Fundraising	208,594	-	208,594	179,024	-	179,024	**387,618**	241,488
Total Supporting Services	7,268,908	-	7,268,908	179,024	-	179,024	**7,447,932**	6,904,960
Total Expenses	103,926,196	-	103,926,196	179,024	-	179,024	**104,105,220**	97,905,258
Change in Net Assets Before Nonoperating Revenues and Expenses	(927,943)	(43,575)	(971,518)	(21,619)	(157,405)	(179,024)	**(1,150,542)**	1,054,816
Nonoperating Revenues and Expenses								
Capital campaign:								
Capital campaign income	-	11,051	11,051	-	20,711	20,711	**31,762**	71,812
Capital campaign expenses	-	-	-	(73,712)	-	(73,712)	**(73,712)**	(97,750)
Net Expenses from Capital Campaign	-	11,051	11,051	(73,712)	20,711	(53,001)	**(41,950)**	(25,938)
Special events:								
Special events revenues	261,302	-	261,302	156,793	-	156,793	**418,095**	464,288
Less: direct cost to donors	(48,667)	-	(48,667)	(74,599)	-	(74,599)	**(123,266)**	(126,526)
Net Revenues from Special Events	212,635	-	212,635	82,194	-	82,194	**294,829**	337,762
Contributions	29,924	-	29,924	11,323	-	11,323	**41,247**	172,360
Gain on sale of fixed assets	29,557	-	29,557	-	-	-	**29,557**	59,270
Unrealized loss on other investment	(5,941)	-	(5,941)	-	-	-	**(5,941)**	(21,312)
Interest income	172,962	-	172,962	44	-	44	**173,006**	50,466
Other income	107,376	-	107,376	-	-	-	**107,376**	88,170
Prior period income	3,559,461	-	3,559,461	(9,826)	-	(9,826)	**3,549,635**	48,757
Program designated revenue	-	97,559	97,559	-	30,838	30,838	**128,397**	-
Transfer of net assets from foundation	636,488	315,707	952,195	(636,488)	(315,707)	(952,195)	**-**	-
Total Nonoperating Revenues and Expenses	4,742,462	424,317	5,166,779	(626,465)	(264,158)	(890,623)	**4,276,156**	709,535
Change in Net Assets	3,814,519	380,742	4,195,261	(648,084)	(421,563)	(1,069,647)	**3,125,614**	1,764,351
Net Assets, beginning of year	25,319,431	-	25,319,431	648,084	421,563	1,069,647	**26,389,078**	24,624,727
Net Assets, end of year	$ 29,133,950	$ 380,742	$ 29,514,692	$ -	$ -	$ -	**$ 29,514,692**	$ 26,389,078

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Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information
Year Ended December 31, 2017

Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information
Year Ended December 31, 2017

Developmental Disabilities Institute, Inc. and Affiliate

Contents

Tel: 212-885-8000
Fax: 212-697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

Board of Directors
Developmental Disabilities Institute, Inc.
and Affiliate
Smithtown, New York

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Developmental Disabilities Institute, Inc. and Affiliate (collectively, the "Agency and Affiliate"), which comprise the combined statement of financial position as of December 31, 2017, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

BDO

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Developmental Disabilities Institute, Inc. and Affiliate as of December 31, 2017, and the results of changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit of the combined financial statements was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Report on Summarized Comparative Information

We have audited the Agency and Affiliate's 2016 combined financial statements and our report, dated May 19, 2017, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 23, 2018

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Financial Position (with comparative totals for 2016)

December 31,	**2017**	2016
Assets		
Current:		
Cash and cash equivalents (Note 3)	**$14,373,935**	$16,436,539
Assets limited as to use, current portion (Note 3)	**2,514,991**	2,953,460
Investments, at fair value (Notes 3 and 4)	**4,996**	4,996
Accounts receivable, net of allowance for doubtful accounts (Note 5)	**19,083,777**	17,641,986
Government and other grants receivable (Note 3)	**1,011,873**	738,789
Contributions and pledges receivable, current portion (Notes 3 and 6)	**146,217**	170,113
Prepaid expenses and other assets	**2,702,297**	2,623,646
Total Current Assets	**39,838,086**	40,569,529
Security Deposits	**198,286**	198,286
Other Investment (Note 19)	**28,688**	-
Contributions and Pledges Receivable, Net, Less Current Portion (Notes 3 and 6)	**54,145**	82,953
Assets Limited as to Use, Less Current Portion (Note 4)	**4,708,558**	4,789,757
Fixed Assets, Net (Notes 3, 7, 13 and 14)	**27,625,661**	27,545,851
	$72,453,424	$73,186,376
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 4,447,122**	$ 3,801,400
Accrued interest payable (Note 14)	**177,208**	135,957
Accrued payroll and related benefits	**6,313,736**	7,553,789
Accrued pension payable (Note 8)	**879,584**	1,411,759
Deferred revenue, current portion (Note 3)	**2,634,869**	3,047,163
Capital lease obligations, current portion (Note 11)	**765,696**	639,826
Mortgages and loans payable, current portion (Note 13)	**184,349**	203,280
Bonds payable, current portion (Note 14)	**1,972,176**	1,868,232
Due to governmental agencies, current portion (Notes 3 and 10)	**1,397,987**	1,619,544
Total Current Liabilities	**18,772,727**	20,280,950
Deferred Revenue, Less Current Portion (Note 3)	**1,967,061**	1,845,076
Capital Lease Obligations, Less Current Maturities (Note 11)	**1,053,121**	872,621
Mortgages and Loans Payable, Less Current Maturities (Note 13)	**1,724,224**	1,903,267
Bonds Payable, Less Current Maturities (Note 14)	**19,046,728**	20,987,848
Due to Governmental Agencies, Less Current Portion (Notes 3 and 10)	**3,500,485**	2,671,887
Total Liabilities	**46,064,346**	48,561,649
Commitments and Contingencies (Notes 3, 7, 9, 10, 11, 12, 13, 14, 15 and 16)		
Net Assets:		
Unrestricted net assets (Note 3)	**25,967,515**	24,207,669
Temporarily restricted net assets (Notes 3, 17 and 18)	**421,563**	417,058
Total Net Assets	**26,389,078**	24,624,727
	$72,453,424	$73,186,376

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Activities
(with comparative totals for 2016)

Year ended December 31,

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Program Revenues:				
Fees for services	$95,260,259	$ -	**$95,260,259**	$93,667,038
Government and other grants	1,605,822	-	**1,605,822**	1,643,595
Clinic revenue	-	-	**-**	2,802,955
Other program revenues	2,093,993	-	**2,093,993**	1,698,056
Net assets released from restrictions (Note 17)	42,962	(42,962)	**-**	-
Total Program Revenues	99,003,036	(42,962)	**98,960,074**	99,811,644
Expenses:				
Program services:				
Education services	31,910,552	-	**31,910,552**	32,321,183
Clinic services	-	-	**-**	3,702,449
Adult day services	18,311,200	-	**18,311,200**	17,327,926
Children's residential services	10,635,824	-	**10,635,824**	10,885,451
Adult residential services	28,943,230	-	**28,943,230**	27,669,160
Other programs	1,199,492		**1,199,492**	713,808
Total Program Services	91,000,298	-	**91,000,298**	92,619,977
Supporting services:				
Management and general	6,663,472	-	**6,663,472**	6,144,108
Fundraising	241,488	-	**241,488**	355,464
Total Supporting Services	6,904,960	-	**6,904,960**	6,499,572
Total Expenses	97,905,258	-	**97,905,258**	99,119,549
Change in Net Assets Before Nonoperating Revenues and Expenses	1,097,778	(42,962)	**1,054,816**	692,095
Nonoperating Revenues and Expenses:				
Capital campaign income	-	71,812	**71,812**	222,392
Capital campaign expenses	-	(97,750)	**(97,750)**	(512,574)
Net Expenses From Capital Campaign	-	(25,938)	**(25,938)**	(290,182)
Special events revenues	464,288	-	**464,288**	389,091
Direct cost to donors	(126,526)	-	**(126,526)**	(111,029)
Net Revenues From Special Events	337,762	-	**337,762**	278,062
Contributions	98,955	73,405	**172,360**	62,247
Gain on sale of fixed assets	59,270	-	**59,270**	29,926
Loss on other investment	(21,312)	-	**(21,312)**	-
Interest income	50,466	-	**50,466**	41,594
Other income	88,170	-	**88,170**	76,400
Prior period income	48,757	-	**48,757**	2,293,754
Total Nonoperating Revenues and Expenses	662,068	47,467	**709,535**	2,491,801
Change in Net Assets	1,759,846	4,505	**1,764,351**	3,183,896
Net Assets, Beginning of Year	24,207,669	417,058	**24,624,727**	21,440,831
Net Assets, End of Year	**$25,967,515**	**$421,563**	**$26,389,078**	$24,624,727

See accompanying notes to combined financial statements.

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Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Functional Expenses
(with comparative totals for 2016)

Year ended December 31,

	Program Services						Supporting Services			Total	
	Education Services	Adult Day Services	Children's Residential Services	Adult Residential Services	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2017**	2016
Salaries and Related Expenses:											
Salaries	$21,341,080	$10,546,145	$ 6,065,423	$17,622,958	$ 341,485	$55,917,091	$3,659,922	$131,983	$3,791,905	**$59,708,996**	$60,023,446
Payroll taxes and employee benefits	7,319,287	3,656,325	1,913,837	5,968,959	112,873	18,971,281	1,221,277	38,641	1,259,918	**20,231,199**	20,788,132
Total Salaries and Related Expenses	28,660,367	14,202,470	7,979,260	23,591,917	454,358	74,888,372	4,881,199	170,624	5,051,823	**79,940,195**	80,811,578
Other Expenses:											
Fee-for-services professionals	34,973	26,371	84,531	276,985	26,972	449,832	126,388	-	126,388	**576,220**	845,459
Building occupancy	486,303	956,724	9	9,017	239,883	1,691,936	19,978	-	19,978	**1,711,914**	1,595,220
Telephone	172,171	207,211	49,955	137,007	33,104	599,448	42,121	1,322	43,443	**642,891**	690,322
Travel	45,083	64,952	11,191	48,715	2,581	172,522	20,058	1,552	21,610	**194,132**	182,935
Supplies	226,543	195,782	301,615	660,277	17,650	1,401,867	462,898	12,098	474,996	**1,876,863**	2,053,559
Food	554	28,999	362,141	855,627	-	1,247,321	410	-	410	**1,247,731**	1,161,487
Office expense	149,943	68,612	27,067	36,578	1,988	284,188	109,902	32,012	141,914	**426,102**	476,764
Dues and subscriptions	34,693	5,087	1,005	1,241	59	42,085	51,512	3,649	55,161	**97,246**	104,057
Postage	11,335	2,939	1,268	723	616	16,881	44,532	248	44,780	**61,661**	61,478
Meetings and conferences	11,211	16,281	4,429	5,740	11,264	48,925	8,378	247	8,625	**57,550**	75,914
Employee training and recruitment	135,926	100,850	63,921	117,531	1,280	419,508	131,952	8,672	140,624	**560,132**	559,003
Legal and accounting	166	2,150	7,154	26,386	-	35,856	199,851	-	199,851	**235,707**	232,348
Utilities	345,759	228,696	124,160	329,048	63,745	1,091,408	34,169	444	34,613	**1,126,021**	1,033,192
Repairs and maintenance	341,364	363,335	107,163	325,714	52,313	1,189,889	36,470	4,147	40,617	**1,230,506**	1,139,874
Equipment and furniture	121,210	54,154	60,841	87,156	43,332	366,693	30,477	3,487	33,964	**400,657**	252,863
Interest	220,569	172,783	198,910	400,148	125,344	1,117,754	53,331	348	53,679	**1,171,433**	1,130,894
Insurance	300,529	424,273	130,569	456,625	7,452	1,319,448	50,540	135	50,675	**1,370,123**	1,361,507
Medicaid assessment taxes	-	-	627,823	196,884	-	824,707	-	-	-	**824,707**	860,071
Debt-related expenses	-	-	-	-	-	-	17,480	-	17,480	**17,480**	20,742
Temporary service subcontracting fees	-	16,803	-	-	-	16,803	-	-	-	**16,803**	-
Vehicle expense	21,034	562,659	40,376	271,437	339	895,845	2,443	44	2,487	**898,332**	823,061
Bad debt expense	118,177	3,489	-	-	-	121,666	-	900	900	**122,566**	433,273
Contributions expense	-	-	-	-	-	-	-	1,385	1,385	**1,385**	134,558
Total Expenses Before Depreciation and Amortization	31,437,910	17,704,620	10,183,388	27,834,756	1,082,280	88,242,954	6,324,089	241,314	6,565,403	**94,808,357**	96,040,159
Depreciation and Amortization	472,642	606,580	452,436	1,108,474	117,212	2,757,344	339,383	174	339,557	**3,096,901**	3,079,390
Total Expenses	**$31,910,552**	**$18,311,200**	**$10,635,824**	**$28,943,230**	**$1,199,492**	**$91,000,298**	**$6,663,472**	**$241,488**	**$6,904,960**	**$97,905,258**	$99,119,549

See accompanying notes to combined financial statements.

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Combined Statement of Cash Flows
(with comparative totals for 2016)

Year ended December 31,	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	**$ 1,764,351**	$ 3,183,896
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**3,096,901**	3,079,390
Interest on debt issuance costs	**119,351**	(32,958)
Gain on sale of fixed assets	**(59,270)**	(29,926)
Provision for bad debt	**122,566**	433,273
Discount on pledges receivables	**1,530**	4,285
Loss on other investment	**21,312**	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(1,564,357)**	(3,840,042)
Government and other grants receivable	**51,174**	114,581
Contributions and pledges receivable	**(273,084)**	(86,584)
Prepaid expenses and other assets	**(78,651)**	(1,462,836)
Increase (decrease) in:		
Accounts payable and accrued expenses	**645,722**	489,901
Accrued interest payable	**41,251**	3,300
Accrued payroll and related benefits	**(1,240,053)**	1,543,594
Accrued pension payable	**(532,175)**	595,030
Deferred revenue	**(290,309)**	1,508,688
Due to governmental agencies	**607,041**	(2,493,276)
Net Cash Provided By Operating Activities	**2,433,300**	3,010,316
Cash Flows From Investing Activities:		
Purchase of other investment	**(50,000)**	-
Purchases of fixed assets	**(2,091,966)**	(1,784,871)
Proceeds from sale of fixed assets	**84,073**	50,116
Assets limited to use	**519,668**	685,254
Net Cash Used In Investing Activities	**(1,538,225)**	(1,049,501)
Cash Flows From Financing Activities:		
Proceeds from bonds	**-**	2,355,000
Repayments on capital lease obligations	**(803,178)**	(734,451)
Principal payments on mortgages and loans payable	**(209,501)**	(254,940)
Principal payments on bonds payable	**(1,945,000)**	(1,890,000)
Net Cash Used In Financing Activities	**(2,957,679)**	(524,391)
Net (Decrease) Increase in Cash and Cash Equivalents	**(2,062,604)**	1,436,424
Cash and Cash Equivalents, Beginning of Year	**16,436,539**	15,000,115
Cash and Cash Equivalents, End of Year	**$14,373,935**	$16,436,539
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	**$ 1,052,294**	$ 1,130,894
Noncash transaction related to capital leases	**1,109,548**	875,103
Transfer of fixed assets to LISH	**-**	74,276
Accounts receivable recorded on transfer of fixed assets to LISH	**-**	(74,276)

See accompanying notes to combined financial statements.

Notes to Combined Financial Statements

1. Principles of Combination

The accompanying combined financial statements include the accounts of Developmental Disabilities Institute, Inc. (the “Agency”) and DDI Foundation, Inc. (the “Foundation”) (collectively, the “Agency and Affiliate”), which are related by certain common members of the Board of Directors and identical management.

All intercompany balances and transactions have been eliminated in combination.

2. Nature of the Organizations

(a) The Agency is a New York State not-for-profit corporation which operates health, education and residential facilities for the therapeutic education, guidance and training of developmentally disabled children, adults and their families. The Agency also operated Diagnostic and Treatment Centers, which are licensed by the New York State Department of Health under Article 28 of the Public Health Law to provide rehabilitative, therapeutic, medical and dental services primarily for developmentally disabled children and adults. The Agency is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”), and therefore has made no provision for income taxes in the accompanying combined financial statements. In addition, the Agency has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2017.

As of August 22, 2016, the Agency surrendered the license for its Diagnostic and Treatment Center (“OPTI Healthcare”). OPTI Healthcare was transitioned over to another unrelated not-for-profit entity, Long Island Select Healthcare (“LISH”) which will continue to provide services as a federally-qualified healthcare center. The Agency leases space to LISH and has a tenant-landlord relationship. In addition, LISH has an outstanding liability to the Agency related to the sale of equipment from OPTI Healthcare, payment of startup expenses by the Agency and a loan for operating expenses during the initial months of operations.

(b) The Foundation is a New York State not-for-profit corporation that was established May 31, 1988 and began operations October 1, 1990. The Foundation is organized and operated exclusively for charitable, scientific and educational purposes. Consistent with the foregoing, its specific purpose is to promote and support the activities of the Agency. The Foundation maintains certain common board members with the Agency. The Foundation is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Code and, therefore has made no provision for income taxes in the accompanying combined financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended December 31, 2017.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

The combined financial statements of the Agency and Affiliate have been prepared on the accrual basis. In the combined statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(b) Financial Statement Presentation

The classification of the Agency's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a combined statement of activities.

These classes are defined as follows:

(i) **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) Cash and Cash Equivalents

The Agency and Affiliate consider all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(d) Assets Limited as to Use, Current Portion

Assets limited as to use consists of cash held in banks for future contributions to the pension plan and future workers compensation claims.

(e) Provision for Doubtful Accounts

The Agency and Affiliate provide an allowance for doubtful accounts for accounts receivable which are specifically identified by management as to their uncertainty in regards to collectability. As of December 31, 2017, the total allowance for doubtful accounts is $592,615.

(f) Investments at Fair Value

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Agency and Affiliate classify fair value balances based on the fair value hierarchy defined by ASC 820 as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investment income is recognized when earned and consists of interest and dividends. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

(g) Income Taxes

The Agency and Affiliate were incorporated in the State of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Code and, therefore, have made no provision for income taxes in the accompanying combined financial statements. In addition, the Agency and Affiliate have been determined by the Internal Revenue Service not to be "private foundations" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2017. Management believes that the Agency and Affiliate are no longer subject to income tax examinations for years prior to 2014.

Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Agency and Affiliate do not believe there are any material uncertain tax positions and, accordingly, they will not recognize any liability for unrecognized tax benefits. The Agency and Affiliate have filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, the Agency and Affiliate have filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended December 31, 2017, there was no interest or penalties recorded or included in the combined statement of activities.

(h) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements and equipment under capital leases are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

	Years
Buildings	18-40
Building improvements	5-40
Furniture and fixtures	4-20
Equipment and vehicles	3-15

(i) Impairment of Fixed Assets

The Agency and Affiliate review fixed assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2017, there have been no such losses.

(j) Contributions and Pledges Receivable

Contributions and pledges receivable, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Promises to give are recorded at the present value of estimated future cash flows, based on an appropriate discount rate at the time of the gift. Amortization of the discount in subsequent years is included in contribution revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions for capital projects are reported as nonoperating revenues. Conditional contributions, including conditional promises to give, are not recognized until the conditions are substantially met.

Unconditional promises to give are recorded in the combined financial statements at present value using a discount rate which represents risk-free interest rates applicable to the years in which promises are received. For the year ended December 31, 2017, the Agency and Affiliate used a discount rate of 1.65%.

Contributions receivable consist of $164,563 for the capital campaign and $35,799 for pledges receivable at December 31, 2017.

The capital campaign represents funds donated to the Agency and Affiliate for the purpose of renovations of the Little Plains School located in Huntington, New York and the Hollywood Drive campus located in Smithtown, New York, and expenses related to the capital campaign.

(k) Third-party Reimbursements and Revenue Recognition

The Agency receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies; primarily the Office for People With Developmental Disabilities ("OPWDD"), Department of Health and the State Education Department of New York. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. The financial statement impact of such adjustments is recognized in the period in which the retroactive adjustment occurred.

Revenue is recognized as earned from third parties and when received or pledged for contributions, special events and fundraising activities.

(l) Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management.

(m) Concentration of Credit Risk

Financial instruments which potentially subject the Agency and Affiliate to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Agency and Affiliate have cash deposits at financial institutions, which exceed the Federal Depository Insurance Corporation insurance limits.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

(n) Use of Estimates

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

(o) Comparative Financial Information

The combined financial statements include certain prior year summarized comparative information. With respect to the combined statement of activities, the prior year information is presented in total, not by net asset class. With respect to the combined statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency and Affiliate's combined financial statements for the year ended December 31, 2016, from which the summarized information was derived in total but not by net asset class.

(p) Accounting Pronouncements Issued But Not Yet Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Accounting for Leases," which applies a right-of-use ("ROU") model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its combined financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Agency is deemed to be a conduit bond obligor since its bond is held by the public and, therefore, has an effective date for annual reporting periods beginning after December 15, 2017. Management is currently evaluating the impact of this ASU on its combined financial statements.

(q) Recently Adopted Authoritative Guidance

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements - Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The standard was adopted by the Agency and Affiliate in the year ended December 31, 2017.

(r) Reclassifications

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation.

4. Investments and Assets Limited as to Use, Long-Term Portion

The cost and respective fair values of investments at December 31, 2017 are as follows:

December 31, 2017	Cost	Fair Value
Agency and Affiliate:		
Common stock	$ 4,996	$ 4,996
Federated Treasury Obligations Fund	3,792,786	3,792,786
Debt service reserve fund - money market fund	915,772	915,772
Total	$4,713,554	$4,713,554

The Agency and Affiliate's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 3 for a discussion of the Agency and Affiliate's policies regarding this hierarchy. A description of the valuation techniques applied to the Agency and Affiliate's major categories of assets measured at fair value is below.

The Agency and Affiliate have investments in common stock, treasury obligation and money market funds. The Agency and Affiliate's custodian prices these investments using nationally recognized pricing services. The Agency and Affiliate's common stock, Federated Treasury Obligations Fund and debt service reserve fund are classified as Level 1 of the fair value hierarchy.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

The following table shows, by level within the fair value hierarchy, the Agency and Affiliate's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2017. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Agency and Affiliate's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels. There have been no changes in the levels from the prior year.

	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Common stock	$ 4,996	$-	$-	$ 4,996
2005 A-B Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	129,469	-	-	129,469
2006 A-B Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	65,784	-	-	65,784
2012 AA-AF Local Development Corp. Revenue Bond	3,162,158	-	-	3,162,158
2012 BA-BE County Economic Development Corp. Revenue Bond	434,551	-	-	434,551
Facilities Development Corporation ("FDC") mortgages payable - debt service reserve fund	915,772	-	-	915,772
2004 A-C Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	824	-	-	824
	$4,713,554	$-	$-	$4,713,554

5. Accounts Receivable, Net

At December 31, 2017, accounts receivable, net consists of the following:

December 31, 2017	
Government and other grants	$ 1,011,873
Office for People With Developmental Disabilities	5,980,961
New York State Education Department	11,717,164
Long Island Select Healthcare, Inc.	1,528,984
Other	449,283
	20,688,265
Less: Allowance for doubtful accounts	(592,615)
	$20,095,650

6. Contributions and Pledges Receivable, Net

At December 31, 2017, the net present value of contributions and pledges receivable is $200,362. The net present value of pledges receivable was calculated using a discount rate of 1.65%.

Net present value of pledges receivable at December 31, 2017 is summarized below:

December 31, 2017	
Total contributions and pledges receivable	$203,117
Discount	2,755
Net present value of contributions receivable	$200,362
Amount due in:	
One year	$146,217
Two to five years	56,900
	$203,117

7. Fixed Assets, Net

Fixed assets, net, including equipment under capital leases, consists of the following:

December 31, 2017	
Land	$ 5,950,101
Buildings and building improvements	44,590,848
Furniture, fixtures and office equipment	7,076,375
Vehicles under capital lease obligations	5,937,665
Machinery and equipment	183,194
IT equipment	1,347,203
Leasehold improvements	2,008,209
	67,093,595
Less: Accumulated depreciation and amortization	(40,253,083)
Construction-in-progress	785,149
	$ 27,625,661

The estimated cost to complete the construction-in-progress is approximately $3,152,000.

8. Pension Plans

(a) 403(b) Tax Deferred Annuity Plan

The Agency is the sponsor of a 403(b) tax deferred annuity plan that covers all Agency and Affiliate employees meeting eligibility requirements. Employee contributions are immediately vested. The Agency also makes a discretionary contribution based upon a percentage of an employee's salary, which will become 100% vested after three or five years depending on date of hire. Accrued pension payable for the year ended December 31, 2017 was $879,584. In 2017, employer contributions of $1,410,889 were made.

Developmental Disabilities Institute, Inc. and Affiliate

Notes to Combined Financial Statements

(b) Frozen Plan

The Agency and Affiliate had a defined contribution 401(a) pension plan for all salaried employees who completed one year of service. Contributions were based on a percentage of employees' salaries and vesting occurred after five years. The plan was frozen as of April 6, 2001. As of November 30, 2017, the plan has been terminated.

9. Workers' Compensation Reserve

The Agency was previously a member of the now terminated and insolvent Community Residence Insurance Saving Plan Self-Insurance Trust for Workers' Compensation ("CRISP"). Due to financial deficits, the Workers' Compensation Board ("WCB") of New York State assumed the administration of CRISP. WCB has been charged with facilitating the extinguishment of the liabilities of the trust and performed a review to reconstruct and allocate the deficit among CRISP's former members. The Agency received an assessment based on this review for fiscal years 2006-2011. In 2016, the WCB and the Agency counsel agreed to a settlement in the amount of $1,569,026. The full liability, net of a discount based on lump-sum payment, has been recorded in the accompanying combined financial statements. In March 2017, the Agency paid the discounted lump-sum amount of $1,490,575 and the WCB has issued the Agency a full release of liability related to the CRISP Trust.

10. Due to Governmental Agencies

Due to governmental agencies consists of the following:

December 31, 2017	
Advances by funding sources to be recouped in future years	$4,898,472

11. Capital Lease Obligations

Capital lease obligations consisted of the following:

December 31, 2017	
The Agency financed the cost of vehicles with notes payable in various monthly installments through 2020. The interest rates on these leases range from 5.25% to 7.27%.	$1,818,817
Less: Current maturities	(765,696)
	$1,053,121

Future minimum principal payments and the present value of net minimum principal payments are as follows:

December 31,	
2018	$ 856,343
2019	565,707
2020	426,199
2021	137,081
Total minimum lease payments	1,985,330
Less: Interest	(166,513)
Present value of net minimum lease payments	$1,818,817

12. Line of Credit

The Agency has a revolving line of credit with a bank of up to $9,000,000 and expires on August 31, 2018. Interest is charged at 3.75% per annum. There were no amounts outstanding at December 31, 2017. The line of credit is secured by outstanding accounts receivable excluding any receivables, subject to subordination agreements.

13. Mortgages and Loans Payable

Mortgages and loans payable consist of the following:

December 31, 2017	
Mortgage payable to FDC, due February 2021, payable in semi-annual debt service payments ranging from $8,066 to $11,242, including interest at 5.61% per annum; secured by real estate located in Mt. Sinai, New York.	$ 46,444
Various loans payable, due from May 2025 to February 2026, payable in current monthly installments ranging from $3,383 to $7,125, including interest from 3.65% to 5.49%; secured by related vehicles, land and buildings.	1,862,129
	1,908,573
Less: Current maturities	(184,349)
	$1,724,224

Mortgages and loans payable mature as follows:

December 31,	
2018	$ 185,890
2019	194,920
2020	192,777
2021	152,585
2022	157,642
Thereafter	1,029,963
	1,913,777
Less: Unamortized balance of deferred financing costs	(5,204)
	$1,908,573

14. Bonds Payable

(a) On December 17, 2004, the Agency obtained financing of $265,000 of Civic Facility Revenue bonds through the Suffolk County Industrial Development Agency ("SCIDA") for the renovation and equipping of a facility located in Medford, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2017, $20,000 remains outstanding:

(b) On January 21, 2005 the Agency obtained financing of $163,000 of Civic Facility Revenue bonds through the Nassau County Industrial Development Agency ("NCIDA") for the renovation and equipping of a facility located in Bellmore, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2017, $25,000 remains outstanding.

(c) On October 13, 2005, the Agency obtained financing of $1,091,000 of Civic Facility Revenue Bonds through SCIDA for the renovation and equipping of a facility located in East Patchogue, NY. The bonds, which require quarterly interest payments, bear interest at 6%. At December 31, 2017, $295,000 remains outstanding.

(d) On September 27, 2006, the Agency obtained financing of $3,857,000 of Civic Facility Revenue Bonds through SCIDA to renovate properties located in Nesconset, NY, Commack, NY, Babylon, NY, Smithtown, NY and Bohemia, NY, and for acquisitions and renovations of properties located in Ridge, NY and Yaphank, NY. The bonds, which require quarterly interest payments, bear interest at 5.95%. At December 31, 2017, $1,210,000 remains outstanding.

(e) On August 29, 2012, the Agency obtained financing of $20,016,071 through the Town of Huntington Local Development Corporation to renovate properties in Smithtown and Huntington, NY and to refinance outstanding amounts associated with financing obtained in 1993 and 1998 through SCIDA. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 3.8%. At December 31, 2017, $14,294,476 remains outstanding.

On August 29, 2012, the Agency obtained financing of $5,880,138 through the Suffolk County Economic Development Corporation to renovate properties in Hauppauge, NY and to refinance outstanding amounts associated with financing obtained in 1993, 1998 and 1999. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 4.4%. At December 31, 2017, $3,532,482 remains outstanding.

(f) On October 5, 2016, the Agency obtained financing of $2,355,000 through the Dormitory Authority of New York State for properties in Deer Park, NY and Centereach, NY and to renovate properties in Smithtown, NY. The bond, which requires monthly interest payments, bears interest ranging from 1.5% to 4%. At December 31, 2017, $2,345,000 remains outstanding. These bonds are conduit debt securities since they are offered by a governmental entity not for its own use, but for the use of the Agency. As the conduit debt obligor, the Agency is required to make all interest and principal payments as they become due. The bonds are publicly held and therefore have additional financial reporting requirements.

The aggregate principal maturities for the years ending December 31 are as follows:

December 31,	
2018	$ 1,972,176
2019	2,130,000
2020	2,210,000
2021	2,200,000
2022	1,950,000
Thereafter	11,259,782
	21,721,958
Less: Unamortized balance of deferred financing costs	(703,054)
	$21,018,904

All bonds are secured by the related properties.

Interest expense related to the bonds for the year ended December 31, 2017 was $858,785.

15. Operating Leases

Pursuant to several lease agreements, the Agency and Affiliate are obligated for minimum annual rentals payable to nonrelated entities, as indicated below. The Agency is obligated for certain operating costs at these sites. The future minimum commitments to all nonrelated parties are as follows:

December 31,	
2018	$1,225,000
2019	770,058
2020	672,413
2021	689,512
2022	576,283
Thereafter	556,775
Total minimum lease payments	$4,490,041

Total rental expense under noncancellable operating leases amounted to $1,525,599 for the year ended December 31, 2017.

16. Commitments and Contingencies

(a) For the year ended December 31, 2017, revenues from Medicare and Medicaid programs accounted for a significant portion of the Agency's revenues. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Agency believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. In the event noncompliance is determined, the Agency would be subject to regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

(b) Additionally, the Agency is involved in certain disputes arising from the normal course of its businesses. In the opinion of management and on the advice of legal counsel, the expected outcome of such disputes, in the aggregate, will not have a material adverse effect on the Agency's financial position.

(c) On July 15, 2015, the Agency entered into an irrevocable letter of credit amounting to $3,416,837 from a bank which matures on July 1, 2018. The letter of credit was issued in conjunction with the Agency's workers' compensation policy. There were no outstanding borrowings at December 31, 2017.

17. Net Assets Released From Restrictions

During 2017, temporarily restricted net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose are as follows:

Program designated	$ 42,962
Capital Campaign	97,750
	$140,712

18. Temporarily Restricted Net Assets

Donor restricted contributions held for specific purposes are as follows:

December 31, 2017	
Program designated	$155,688
Capital campaign	265,875
	$421,563

19. Other Investment

The Agency owns a 12.5% interest in LI Alliance, LLC (the "Alliance"), which was established to strategically position the Agency and other Alliance members to participate in programs relating to delivery of care to persons with developmental disabilities and other disorders through managed care or other models. The Agency's interest in the Alliance amounted to approximately $29,000 at December 31, 2017.

20. Subsequent Events

The Agency and Affiliate's management has performed subsequent events procedures through May 23, 2018, which is the date the combined financial statements were available to be issued and there were no subsequent events requiring adjustment to the combined financial statements or disclosures as stated herein.

Supplementary Information

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2016)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2017	Combined Total 2016
Assets					
Current:					
Cash and cash equivalents	$13,685,926	$ 688,009	$ -	**$14,373,935**	$16,436,539
Assets limited as to use, current portion	2,311,998	202,993	-	**2,514,991**	2,953,460
Investments, at fair value	-	4,996	-	**4,996**	4,996
Accounts receivable, net	19,083,777	-	-	**19,083,777**	17,641,986
Government and other grants receivable	1,011,873	-	-	**1,011,873**	738,789
Contributions and pledges receivable, current portion		146,217	-	**146,217**	170,113
Prepaid expenses and other assets	2,693,054	9,243	-	**2,702,297**	2,623,646
Total Current Assets	38,786,628	1,051,458	-	**39,838,086**	40,569,529
Security Deposits	198,286	-	-	**198,286**	198,286
Other Investment	28,688	-	-	**28,688**	-
Due From Affiliates	35,956	-	(35,956)	**-**	-
Contributions and Pledges Receivable, Net, Less Current Portion	-	54,145	-	**54,145**	82,953
Assets Limited as to Use, Less Current Portion	4,708,558	-	-	**4,708,558**	4,789,757
Fixed Assets, Net	27,625,661	-	-	**27,625,661**	27,545,851
	$71,383,777	**$1,105,603**	**$(35,956)**	**$72,453,424**	$73,186,376

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2016)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2017	Combined Total 2016
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 4,447,122	$ -	$ -	**$ 4,447,122**	$ 3,801,400
Accrued interest payable	177,208	-	-	**177,208**	135,957
Accrued payroll and related benefits	6,313,736	-	-	**6,313,736**	7,553,789
Accrued pension payable	879,584	-	-	**879,584**	1,411,759
Due to affiliates	-	35,956	(35,956)	**-**	-
Deferred revenue, current portion	2,634,869	-	-	**2,634,869**	3,047,163
Capital lease obligations, current portion	765,696	-	-	**765,696**	639,826
Mortgages and loans payable, current portion	184,349	-	-	**184,349**	203,280
Bonds payable, current portion	1,972,176	-	-	**1,972,176**	1,868,232
Due to governmental agencies, current portion	1,397,987	-	-	**1,397,987**	1,619,544
Total Current Liabilities	18,772,727	35,956	(35,956)	**18,772,727**	20,280,950
Deferred Revenue, Less Current Portion	1,967,061	-	-	**1,967,061**	1,845,076
Capital Lease Obligations, Less Current Maturities	1,053,121	-	-	**1,053,121**	872,621
Mortgages and Loans Payable, Less Current Maturities	1,724,224	-	-	**1,724,224**	1,903,267
Bonds Payable, Less Current Maturities	19,046,728	-	-	**19,046,728**	20,987,848
Due to Governmental Agencies, Less Current Portion	3,500,485	-	-	**3,500,485**	2,671,887
Total Liabilities	46,064,346	35,956	(35,956)	**46,064,346**	48,561,649
Net Assets:					
Unrestricted net assets	25,319,431	648,084	-	**25,967,515**	24,207,669
Temporarily restricted net assets	-	421,563	-	**421,563**	417,058
Total Net Assets	25,319,431	1,069,647	-	**26,389,078**	24,624,727
	$71,383,777	**$1,105,603**	**$(35,956)**	**$72,453,424**	$73,186,376

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Activities
(with comparative totals for 2016)

Year ended December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.			Combined Total	
	Unrestricted	Unrestricted	Temporarily Restricted	Total	**2017**	2016
Program Revenues:						
Fees for services	$95,260,259	$ -	$ -	$ -	**$95,260,259**	$93,667,038
Government and other grants	1,605,822	-	-	-	**1,605,822**	1,643,595
Net patient service revenues	-	-	-	-	**-**	2,802,955
Other program revenues	2,093,993	-	-	-	**2,093,993**	1,698,056
Net assets released from restrictions	-	42,962	(42,962)	-	**-**	-
Total Program Revenues	98,960,074	42,962	(42,962)	-	**98,960,074**	99,811,644
Expenses:						
Program services:						
Education services	31,910,552	-	-	-	**31,910,552**	32,321,183
Clinic services	-	-	-	-	**-**	3,702,449
Adult day services	18,311,200	-	-	-	**18,311,200**	17,327,926
Children's residential services	10,635,824	-	-	-	**10,635,824**	10,885,451
Adult residential services	28,943,230	-	-	-	**28,943,230**	27,669,160
Other programs	1,199,492	-	-	-	**1,199,492**	713,808
Total Program Services	91,000,298	-	-	-	**91,000,298**	92,619,977
Supporting services:						
Management and general	6,663,472	-	-	-	**6,663,472**	6,144,108
Fundraising	-	241,488	-	241,488	**241,488**	355,464
Total Supporting Services	6,663,472	241,488	-	241,488	**6,904,960**	6,499,572
Total Expenses	97,663,770	241,488	-	241,488	**97,905,258**	99,119,549
Change in Net Assets Before Nonoperating Revenues and Expenses	1,296,304	(198,526)	(42,962)	(241,488)	**1,054,816**	692,095
Nonoperating Revenues and Expenses:						
Capital campaign income	-	-	71,812	71,812	**71,812**	222,392
Capital campaign expenses	-	-	(97,750)	(97,750)	**(97,750)**	(512,574)
Net Expenses From Capital Campaign	-	-	(25,938)	(25,938)	**(25,938)**	(290,182)
Special events revenues	-	464,288	-	464,288	**464,288**	389,091
Direct cost to donors	-	(126,526)	-	(126,526)	**(126,526)**	(111,029)
Net Revenues From Special Events	-	337,762	-	337,762	**337,762**	278,062
Contributions	10,137	88,818	73,405	162,223	**172,360**	62,247
Gain on sale of fixed assets	59,270	-	-	-	**59,270**	29,926
Loss on other investment	(21,312)	-	-	-	**(21,312)**	-
Interest income	50,466	-	-	-	**50,466**	41,594
Other income	88,170	-	-	-	**88,170**	76,400
Prior period income	48,486	271	-	271	**48,757**	2,293,754
Total Nonoperating Revenues and Expenses	235,217	426,851	47,467	474,318	**709,535**	2,491,801
Change in Net Assets	1,531,521	228,325	4,505	232,830	**1,764,351**	3,183,896
Net Assets, Beginning of Year	23,787,910	419,759	417,058	836,817	**24,624,727**	21,440,831
Net Assets, End of Year	**$25,319,431**	**$ 648,084**	**$421,563**	**$1,069,647**	**$26,389,078**	$24,624,727

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APPENDIX B-III

HASC CENTER, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2020, JUNE 30, 2019 AND JUNE 30, 2018)

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HASC CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

CONTENTS

J. GLIKSMAN CPA P.C.
CERTIFIED PUBLIC ACCOUNTANT
5417 18TH AVENUE
BROOKLYN, NY 11204
TEL (718) 234-8181
FAX (718) 234-0014

JOSEPH GLIKSMAN, CPA
MEMBER: AICPA

PARTICIPANT: AICPA
PEER REVIEW PROGRAM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hasc Center, Inc. and Subsidiaries
Brooklyn, NY

We have audited the accompanying consolidated financial statements of Hasc Center, Inc. and Subsidiaries (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hasc Center, Inc. and Subsidiaries, as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the consolidated financial statements of Hasc Center, Inc. and Subsidiaries for the year ended June 30, 2019, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 30, 2019. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statement from which it has been derived.

J. Gliksman, CPA PC

January 25, 2021

HASC CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

Current Assets	2020	2019
Cash and Cash Equivalents	$ 752,879	$ 1,428,759
Investments	15,125,026	13,983,754
Accounts Receivable (Less Allowance for Bad Debts $4,000)	1,126,196	2,013,613
Medicaid and Grants Receivable	12,153,521	9,969,709
Prepaid Expenses	913,538	1,048,845
Prepaid Interest	71,224	10,880
Total Current Assets	**$ 30,142,384**	**$ 28,455,560**
Fixed Assets		
Land	$ 2,888,548	$ 2,888,548
Building	31,976,155	31,292,462
Leasehold Improvements	5,093,182	4,835,655
Vehicles	884,363	884,363
Machinery & Equipment	991,128	975,376
Furniture & Fixtures	710,014	695,337
Accumulated Depreciation	(17,692,061)	(16,051,476)
Total Fixed Assets	**$ 24,851,329**	**$ 25,520,265**
Other Assets		
Due from BKFHC	$ 2,292,504	$ 1,858,051
Reserve Funds	625,454	652,947
Security Deposits	120,574	117,859
Retirement Trust Fund	1,422,379	1,248,982
Bond Closing Costs (Net of Amortization of $1,079,666)	724,267	807,270
Total Other Assets	**$ 5,185,178**	**$ 4,685,109**
TOTAL ASSETS	**$ 60,178,891**	**$ 58,660,934**

See notes to the financial statements.

HASC CENTER, INC. AND SUSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

Current Liabilities	2020	2019
Accounts Payable	$ 2,263,156	$ 1,814,805
Due to Employees HCI	415,507	415,507
Accrued Wages & Taxes	1,575,631	1,566,377
Accrued Expenses	108,380	113,380
Loans Payable	4,472,667	3,790,485
Advances Due to OPWDD	216,549	216,549
Bonds Payable	720,000	710,000
Mortgages Payable	172,211	157,486
Interest Payable	65,777	60,750
Deferred Revenue	371,751	968,400
Other Liabilities	34,824	34,824
Total Current Liabilities	**$ 10,416,453**	**$ 9,848,563**
Other Liabilities		
Loans Payable	$ 5,385,000	$ 6,033,246
Advances Due to OPWDD	250,218	250,218
Retirement Trust Fund	1,422,380	1,248,982
Bonds Payable	5,933,811	6,608,198
Mortgages Payable	564,490	751,402
Other Liabilities	200,238	235,062
Total Other Liabilities	**$ 13,756,137**	**$ 15,127,108**
TOTAL LIABILITIES	**$ 24,172,590**	**$ 24,975,671**
Net Assets		
Net Assets Without Donor Restrictions	$ 33,884,268	$ 31,563,230
Net Assets With Donor Restrictions	47,343	47,343
Board Designated Net Assets	2,074,690	2,074,690
Total Net Assets	**$ 36,006,301**	**$ 33,685,263**
TOTAL LIABILITIES AND NET ASSETS	**$ 60,178,891**	**$ 58,660,934**

See notes to the financial statements.

HASC CENTER, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

	Without Donor Restrictions 2020	Camp Without Donor Restrictions 2020	Total 2020	Total 2019
Revenues				
Workshop Sales	$ -	$ -	$ -	$ 8,213
Grants	1,078,547	-	1,078,547	135,763
Program Service Fees	47,746,675	3,538,425	51,285,100	52,991,619
Management Income	39,000	-	39,000	39,000
Other Income	394,631	388,156	782,787	179,919
Contributions	-	3,001,633	3,001,633	2,766,646
Investment Income	1,133,929	-	1,133,929	957,896
Total	**$ 50,392,782**	**$ 6,928,214**	**$ 57,320,996**	**$ 57,079,056**
Expenses				
Program	$ 45,354,933	$ 5,379,098	$ 50,734,031	$ 51,964,226
Management & General	3,314,104	-	3,314,104	3,566,667
Fundraising	-	951,823	951,823	1,400,359
Total	**$ 48,669,037**	**$ 6,330,921**	**$ 54,999,958**	**$ 56,931,252**
Change in Net Assets	$ 1,723,745	$ 597,293	$ 2,321,038	$ 147,804
Net Assets Beginning	41,983,820	(8,298,557)	33,685,263	33,537,460
NET ASSETS ENDING	**$ 43,707,565**	**$ (7,701,264)**	**$ 36,006,301**	**$ 33,685,264**

See notes to the financial statements.

HASC CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

Expenses	Program	General & Administrative	Fundraising	Total 2020	Total 2019
Salaries	$ 29,390,445	$ 1,612,145	$ 108,874	31,111,464	$ 30,328,473
Taxes & Fringe Benefits	7,556,589	646,603	-	8,203,192	9,318,428
Total Salaries and Benefits	**$ 36,947,034**	**$ 2,258,748**	**$ 108,874**	**$ 39,314,656**	**$ 39,646,901**
Food	1,697,484	10,320	93,880	1,801,684	2,005,369
Repairs & Maintenance	608,504	12,269	3,000	623,773	630,759
Utilities	765,151	28,684	2,174	796,009	785,490
Transportation	1,302,057	5,510	67,927	1,375,494	1,755,639
Auto Expense	220,002	5,183	10,803	235,988	248,807
Consumer Allowances & Incidental	763,617	-	-	763,617	694,653
Consumer Recreation	1,233,019	-	107,216	1,340,235	2,322,550
Consumer Salaries	6,664	-	-	6,664	9,454
Staff Training	69,288	1,416	14,140	84,844	85,073
Office Expense	357,967	109,996	227,988	695,951	510,752
Supplies	604,451	63,524	84,610	752,585	854,169
Postage	24,240	9,331	-	33,571	32,590
Advertising	164,088	101,643	54,099	319,830	638,455
Data Processing	283,747	7,533	-	291,280	245,369
Licenses & Fees	78,732	15,903	150	94,785	113,699
Professional Fees	502,838	464,071	83,433	1,050,342	911,331
Equipment Lease	101,779	9,115	-	110,894	116,163
Rent	2,483,565	70,455	93,529	2,647,549	2,678,224
Insurance	251,398	80,142	-	331,540	392,467
Interest	573,259	31,820	-	605,079	476,569
Depreciation & Amortization	1,695,147	28,441	-	1,723,588	1,776,766
TOTAL EXPENSES	**$ 50,734,031**	**$ 3,314,104**	**$ 951,823**	**$ 54,999,958**	**$ 56,931,249**

See notes to the financial statements.

HASC CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
Cash Flows from Operations		
Increase in Net Assets	$ 2,321,038	$ 147,803
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operations:		
Non-Cash Items:		
Depreciation & Amortization	1,723,588	1,776,766
Increase (Decrease) in Cash Resulting from Changes in Operating Assets and Liabilities:		
Receivables, Prepaids, Etc.	(1,397,544)	(2,500,610)
Payables, Accruals, Etc.	(178,868)	496,621
Net Cash Provided (Used) by Operations	**$ 2,468,214**	**$ (79,420)**
Cash Flows from Investing		
Purchase of Investments	$ (1,141,271)	$ 335,587
Advance to BKFHC	(434,453)	(247,100)
Purchase of Fixed Assets	(971,649)	(3,012,925)
Net Cash Provided (Used) by Investing	**$ (2,547,373)**	**$ (2,924,438)**
Cash Flows from Financing		
Refunds (Deposits) of Debt Reserve Funds	$ 27,493	$ -
Proceeds (Payments) of Loans	33,936	972,389
Proceeds (Payments) of Mortgages and Bonds	(658,149)	(836,403)
Net Cash Provided (Used) by Financing	**$ (596,720)**	**$ 135,986**
Net Cash Provided (Used):	**$ (675,879)**	**$ (2,867,872)**
Cash Balance Beginning	1,428,758	4,296,630
CASH BALANCE ENDING	**$ 752,879**	**$ 1,428,758**
Interest Paid	$ 605,079	$ 476,569

See notes to the financial statements.

HASC CENTER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

Note A – Nature of Organization

Hasc Center, Inc. and Subsidiaries, (the Agency) is a not-for-profit agency that provides an array of services in Brooklyn, NY, to children and adults with developmental disabilities and their families. Approximately 90% of the Agency's revenue is from Medicaid received from the Office for People with Developmental Disabilities (OPWDD). The services include Day Programs, Residential Services, Employment Services, Service Coordination and Residential Habilitation. On March 29, 2018 Hasc Center, Inc. became the sole member of another Not-For-Profit entity, Camp Hasc Inc. Camp Hasc Inc. is an overnight and day camp in Sullivan county serving children and adults with development disabilities as well as other special needs individuals.

Note B – Accounting Policies

The accounting policies of the Agency conform to accounting principles generally accepted in the Unites States as applicable to voluntary health and welfare agencies. The accrual basis of accounting is followed by the Agency. Under the accrual basis of accounting, revenues are reported when earned. Expenditures are recorded when the goods or services are received. Sick and vacation pay is recorded when earned.

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation have not been material to the financial statements.

The Agency reports investments in equity and debt securities at their fair values in the statements of financial position. Interest, dividends, realized and unrealized gains and losses are included in the change in net assets.

All depreciable assets that cost at least $1,000 are recorded at cost and are depreciated on a straight-line basis. Buildings are depreciated over 25 years. Machinery and equipment are depreciated over 3 to 7 years and transportation equipment over 4 years. Leasehold improvements are depreciated over the term of the lease including extensions at the tenant's option.

Note B – Accounting Policies (continued)

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

The organization reports information regarding its financial position and activities according to the following classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. Contributions and grants received are recorded depending on the existence or nature of any donor restrictions. When a restriction expires, donations with restrictions are reclassified as donations without restrictions. Revenue whose restriction expired during the year is presented as unrestricted revenue.

Information for the year ended June 30, 2019, is presented for comparative purposes only, and was extracted from the financial statements prepared for that year, upon which an unqualified opinion dated November 30, 2020 was expressed. Certain items have been reclassified to conform with current year presentation.

The Agency is a tax-exempt organization under the law of New York State and under Internal Revenue Code 501(c) (3) as a non-private foundation.

For purposes of the statements of cash flows, the organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Subsequent events have been evaluated through January 25, 2021, the date of which financial statements were available to be issued.

Note C – Concentrations of Credit Risk

The Agency maintains cash balances at Capital One Bank and Bank of New York Mellon located in New York City. Federal Deposit Insurance Corporation insures all accounts at each institution in full.

Note D – Investments

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The

hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

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

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019, and 2020.

Common stocks, corporate bonds and government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value ('NAV') of shares held by the Agency at year end.

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 Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note D – Investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Agency's assets at fair value as of June 30, 2020:

		2020	2019
Equity Securities	Level 1	$3,634,322	$3,301,563
U.S.Government and Agency Bonds	Level 1	410,296	393,864
Mutual Funds & Exchange Traded Funds	Level 2	7,650,655	7,144,362
Fixed Income Funds	Level 2	1,198,000	1,182,573
Cash & Money Market Accounts	Level 1	774,233	568,234
International Funds & Commodities	Level 2	28,013	4,248
Total		$13,695,519	$12,594,844

Additionally, investments included a J P Morgan Annuity in the amount of $1,402,507 and an insurance policy with cash value of $27,000. The investments are not insured. The annuity pays 3% interest per year. Interest and dividend income from these holding for the year ended June 30, 2020, was $413,036. Realized gains in fair market value of the investments for year ended June 30, 2020, is reported in the statement of activities in the amount of $439,051. Unrealized gains in fair market value of the investments for the year ended June 30 2020, is reported in the statement of activities in the amount of $342,228. Portfolio management and taxes for the year ended June 30, 2020, was $60,386.

Note E – Accounts Receivable

Accounts Receivable represents amounts owed to Hasc Center from revenues other than program service fees net of an allowance for bad debts estimated to be $4,000

Note F – Medicaid and Grants Receivable

All of the Medicaid and Grants Receivable are due from OPWDD.

Note G – Reserve Funds and Closing Costs

Reserve funds represents cash held by Bank of New York under the New York City Industrial Development Agency financing arrangement and by Dormitory Authority of the State of New York (DASNY) as security for payment of the Bonds and Mortgage loans.

Note G – Reserve Funds and Closing Costs (continued)

Closing costs represents the costs of obtaining the mortgages payable through the DASNY and New York City Industrial Development Agency. The costs are being amortized over 15 years, which is the life of the mortgages.

Note H - Bonds Payable

2013 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $10,000 to $300,000 plus interest at 3.280%, through July 2028, secured by real property and facilities. The balance due as of June 30, 2020 is $2,190,000.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2021	$250,000
Year ending June 30, 2022	255,000
Year ending June 30, 2023	260,000
Year ending June 30, 2024	265,000
Year ending June 30, 2025	280,000
Thereafter:	$880,000

2015 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $75,000 to $500,000 plus interest at 2.98%, through July 2029, secured by real property and facilities. The balance due as of June 30, 2020 is $2,300,000.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2021	$415,000
Year ending June 30, 2022	410,000
Year ending June 30, 2023	350,000
Year ending June 30, 2024	180,000
Year ending June 30, 2025	175,000
Thereafter:	$770,000

2017 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $25,000 to $115,000 plus interest at 3.384%, through July 2042, secured by real property and

Note H - Bonds Payable (continued)

facilities. The balance due as of June 30, 2020 is $2,163,811.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2021	$55,000
Year ending June 30, 2022	60,000
Year ending June 30, 2023	60,000
Year ending June 30, 2024	65,000
Year ending June 30, 2025	65,000
Thereafter:	$1,858,811

The total of all bonds payable is $6,653,811.

Note I – Mortgages Payable

The Agency is liable for several mortgage loans from Capital One Bank to finance construction or renovation of its residential sites. The combined original amount of the loans was $2,614,462. Certain of the Agency's real property is pledged as collateral to the mortgages. Certain of the agreements provide for restrictions on the Agency's guarantees, other loans, mergers or other major changes in the business and on cash flow, net assets, and debt to capital ratio. Interest rates are between 6.4% -7.1%. Total balance due at June 30, 2020 is $736,701.

Year ending June 30, 2021	$172,211
Year ending June 30, 2022	180,335
Year ending June 30, 2023	173,098
Year ending June 30, 2024	156,385
Year ending June 30, 2025	54,672

The Organization has entered into an interest swap agreement. The Organization entered into this derivative instrument for the purpose of hedging interest rate risks, not for speculation. The swap agreement changes the nature of the interest rate paid on organization's long-term debt. The differential between the fixed and the variable rate interest payments is recognized as an increase/decrease in interest expense in the period incurred. The carrying value of the long-term debt (including current portion) approximates fair value since the current interest rate approximates market rates.

Note J – Loans Payable

The Agency is liable for several notes. The total balance at June 30, 2020, is $9,857,667. Principal installments due are as follows:

Year ending June 30, 2021	$4,472,667
Year ending June 30, 2022	193,324
Year ending June 30, 2023	91,676
Year ending June 30, 2024	100,000

The Agency maintains a line of credit with Capital One Bank in the amount of $3,500,000. As of June 30, 2020, the draw down against the line was $3,500,000 reported as loans payable in the financial statements. The line of credit interest rate is 4.75%. Subsequent to the financial statement date the Agency paid down $1,000,000 of the line of credit. The agency has a loan due FJC in the amount of $5,000,000 to finance the purchase of a new site. Management expects to convert the loan to permanent financing upon completion of construction. The interest rate is prime plus 3%. The Agency has non-interest-bearing loans to various community members in the amount of $1,357,667 of which $864,333 was paid subsequent to the financial statement date.

Note K – Advance from OPWDD

Advance from OPWDD represents amounts advanced by the New York State Office for People with Developmental Disabilities to finance renovation of new sites and start-up of new programs. These amounts are either repaid over five years from the date the new program opens, or are converted to long term debt by inclusion in the mortgage loan from Dormitory Authority of the State of New York.

Note L – Leases

The Agency leases space for various sites in Brooklyn and Sullivan County. The leases are for 2 to 10 years. Rent expense for the year ended June 30, 2020, was $2,647,549, and future commitments are:

Year ending June 30, 2021	$2,069,004
Year ending June 30, 2022	2,042,067
Year ending June 30, 2023	1,189,837
Year ending June 30, 2024	1,187,575
Year ending June 30, 2025	970,750

Note M – Equipment Leases

The Agency leases various auto and office equipment under 2 to 5-year leases. Total amount paid under expensed leases during the year ended June 30, 2020, was $110,894, and future required payments are:

Year ending June 30, 2021	$110,894
Year ending June 30, 2022	75,362
Year ending June 30, 2023	65,451
Year ending June 30, 2023	50,372

Note N – Due to Employees HCI

This represents the accrued health insurance expense for the unexpended funds received from New York State OPWDD for the purpose of reimbursing employees for healthcare expenses.

Note O – Related Parties

The Agency provided management services to Hasc Diagnostic & Treatment Center, Inc. Management fees for the year ended June 30, 2020, was $39,000. The two entities are under common management.

Hasc Center, Inc. purchased transportation services from a Not-for-Profit entity at a cost of $1,321,893 and $1,038,619 for the years ended June 30, 2019, and June 30, 2020, respectively. The two entities are under common management.

Note P – Pension Plan

The Agency maintains a 401K pension plan covering all employees who have been employed at least one year. Employees may contribute salaries to a maximum of $18,500, and an additional $6,000 for employees over fifty years old. The Agency matches 25% of employee contributions to a maximum of $2,500 of employee contributions. The cost of the plan was $208,083 for the year ended June 30, 2020.

Note Q – Commitment and Contingencies

The Agency receives payments from third party payers for services. These payments are subject to audit by various regulatory bodies which may give rise to contingent liabilities. The board has set up funds for such contingent liabilities, which is reflected in the financial statements as board designated funds. HASC Center Inc. was a member of the Community Residence Saving Plan self- insurance

Note Q – Commitment and Contingencies (continued)

trust (CRISP), for the purpose of providing workers' compensation benefit under the NYS workers compensation law. The trust was taken over by the NYS Workers' Compensation Board, The Agency has agreed to settle all claims for $348,240 payable over 10 years in monthly installments of $2,902 inclusive of 3% interest. The amount due as of June 30, 2020 is $235,062. This is reported in the statement of financial position as other liabilities. The Agency advanced to a related not for profit organization, based on the terms of a subvention the amount of $2,200,000 for working capital, as well as guaranteeing their loan of $4,000,000.

Note R – COVID-19

In March of 2020, the COVID-19 outbreak in the United States has reduced the Agency's ability to service individuals in need. The Agency utilized remote and alternative services, as much as possible to offset any negative impact of the pandemic. The Agency received funds from the U. S. Department of Health and Human Services in the amount of $1,420,941. These funds were provided as a grant contingent on meeting certain requirements.

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HASC CENTER, INC.

AND SUBSIDIARIES

CONSOLIDATING FINANCIAL STATEMENTS

JUNE 30, 2019

HASC CENTER, INC. AND SUBSIDIARIES

CONTENTS

J. GLIKSMAN CPA P.C.
CERTIFIED PUBLIC ACCOUNTANT
5417 18TH AVENUE
BROOKLYN, NY 11204
TEL (718) 234-8181
FAX (718) 234-0014

JOSEPH GLIKSMAN, CPA
MEMBER: AICPA
NYSSCPA

PARTICIPANT: AICPA
PEER REVIEW PROGRAM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hasc Center, Inc.
Brooklyn, NY

We have audited the accompanying financial statements of Hasc Center, Inc. and Affiliates (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hasc Center, Inc. and Affiliates , as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Hasc Center, Inc. June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2018. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statement from which it has been derived.

J. Gliksman, CPA PC

November 30, 2019

HASC CENTER, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

Current Assets		2019		2018
Cash and Cash Equivalents	$	1,428,759	$	4,296,630
Investments		13,983,754		14,319,341
Accounts Receivable (Less		-		
Allowance for Bad Debts $4,000)		2,013,613		1,150,363
Medicaid and Grants Receivable		9,969,709		8,476,419
Prepaid Expenses		1,048,845		836,626
Prepaid Interest		10,880		10,880
Note Receivable - BKFHC		-		822,862
Total Current Assets	**$**	**28,455,560**	**$**	**29,913,121**
Fixed Assets				
Land	$	2,888,548	$	2,890,610
Building		31,292,462		29,279,292
Leasehold Improvements		4,835,655		4,025,138
Vehicles		884,363		884,363
Machinery & Equipment		975,376		912,695
Furniture & Fixtures		695,337		658,851
Accumulated Depreciation		(16,051,476)		(14,366,842)
Total Fixed Assets	**$**	**25,520,265**	**$**	**24,284,107**
Other Assets				
Due from BKFHC	$	1,858,051	$	788,089
Reserve Funds		652,947		652,947
Security Deposits		117,859		115,649
Retirement Trust Fund		1,248,982		1,227,209
Bond Closing Costs (Net of		-		
Amortization of $904,530)		807,270		899,402
Total Other Assets	**$**	**4,685,109**	**$**	**3,683,296**
TOTAL ASSETS	**$**	**58,660,934**	**$**	**57,880,524**

HASC CENTER, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

Current Liabilities		2019		2018
Accounts Payable	$	1,814,805	$	1,689,776
Due to Employees HCI		415,507		415,523
Accrued Wages & Taxes		1,566,377		1,264,290
Accrued Expenses		113,380		191,111
Loans Payable		3,790,485		1,002,564
Advances Due OPWDD		216,549		216,549
Bonds Payable		710,000		710,000
Mortgages Payable		157,486		146,985
Interest Payable		60,750		72,443
Deferred Revenue		968,400		786,324
Other Liabilities		34,824		34,824
Total Current Liabilities	**$**	**9,848,563**	**$**	**6,530,389**
Other Liabilities				
Loans Payable	$	6,033,246	$	7,848,778
Advances Due OPWDD		250,218		250,218
Retirement Trust Fund		1,248,982		1,227,209
Bonds Payable		6,608,198		7,318,198
Mortgages Payable		751,402		898,386
Other Liabilities		235,062		269,886
Total Other Liabilities	**$**	**15,127,108**	**$**	**17,812,675**
		-		
TOTAL LIABILITIES	**$**	**24,975,671**	**$**	**24,343,064**
Net Assets				
Unrestricted Net Assets	$	31,563,230	$	31,415,427
Prior Period adjustment				
Temporarily Restricted Net Assets		47,343		47,343
Board Designated Net Assets		2,074,690		2,074,690
Total Net Assets	**$**	**33,685,263**	**$**	**33,537,460**
TOTAL LIABILITIES AND NET ASSETS	**$**	**58,660,934**	**$**	**57,880,524**

HASC CENTER, INC
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

	Unrestricted 2019	Camp Unrestricted 2019	Total 2019	Unrestricted 2018
Revenue				
Workshop Sales	$ 8,213		$ 8,213	$ 8,592
Grants	135,763		135,763	376,850
Program Service Fees	49,542,073	3,449,546	52,991,619	45,703,683
Management Income	39,000		39,000	39,000
Other Income	179,919		179,919	167,599
Contribution		2,766,646	2,766,646	162,076
Investment Income	957,896		957,896	1,140,335
Total	**$ 50,862,864**	**$ 6,216,192**	**$ 57,079,056**	**$ 47,598,135**
Expenses				
Program Expenses	$ 46,107,421	$ 5,856,805	$ 51,964,226	$ 42,341,858
Management & General	3,566,667		3,566,667	2,921,655
Fundraising		1,400,359	1,400,359	46,117
Total	**$ 49,674,088**	**$ 7,257,164**	**$ 56,931,252**	**$ 45,309,630**
Change in Net Assets	$ 1,188,776	$(1,040,973)	$ 147,803	$ 2,288,505
Acquisition of Not-for-Profit Entity				(6,459,150)
Net Assets Beginning	40,795,044	(7,257,584)	33,537,460	37,708,105
NET ASSETS ENDING	**$ 41,983,820**	**$(8,298,557)**	**$ 33,685,263**	**$ 33,537,460**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

Expenses	Programs	General & Administrative	Fundraising	Total 2019	Total 2018
Salaries	$28,629,930	$ 1,492,093	$ 206,450	$30,328,473	$25,334,428
Taxes & Fringe Benefits	8,345,126	973,302	-	9,318,428	7,733,983
Total Salaries and Benefits	**$36,975,056**	**$ 2,465,395**	**$ 206,450**	**$39,646,901**	**$33,068,411**
Food	1,862,046	9,952	133,371	2,005,369	1,563,846
Repair & Maintenance	611,381	11,718	7,660	630,759	386,676
Utilities	755,657	29,172	662	785,490	591,586
Transportation	1,644,534	15,936	95,170	1,755,639	1,400,339
Auto Expense	245,230	5,240	(1,662)	248,807	297,936
Consumer Allowances & Incident	694,653		-	694,653	607,096
Consumer Recreation	2,198,513	227	123,810	2,322,550	1,307,220
Consumer Salaries	9,454		-	9,454	10,686
Staff Training	76,538	5,385	3,150	85,073	43,963
Office Expense	375,096	73,578	62,078	510,752	404,675
Supplies	752,385	25,236	76,548	854,169	604,393
Postage	25,899	6,691	-	32,590	23,169
Advertising	289,508	74,518	274,429	638,455	95,888
Data Processing	236,115	8,404	850	245,369	126,856
Licenses & Fees	96,384	4,481	12,834	113,699	80,546
Professional Fees	218,569	628,147	64,615	911,331	426,164
Equipment Lease	113,774	2,389	-	116,163	83,709
Rent	2,271,299	66,531	340,395	2,678,224	1,875,174
Insurance	316,287	76,180	-	392,467	207,822
Interest	446,148	30,421	-	476,569	394,039
Depreciation & Amortization	1,749,700	27,066	-	1,776,766	1,709,436
TOTAL EXPENSES	**$51,964,226**	**$ 3,566,667**	**$ 1,400,359**	**$56,931,252**	**$45,309,630**

HASC CENTER, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for June 30, 2018)

	2019	2018
Cash Flows from Operations		
Increase in Net Assets	$ 147,803	$ 2,288,505
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operations:		
Non-Cash Items:		
Depreciation & Amortization	1,776,766	1,709,436
Increase (Decrease) in Cash Resulting from Changes in Operating Assets and Liabilities:		
Receivables, Prepaids, Etc.	(2,500,610)	(158,978)
Payables, Accruals, Etc.	496,621	1,970,754
Net Cash Provided by Operations	**$ (79,419)**	**$ 5,809,717**
Cash Flows from Investing		
Purchase of Investments	$ 335,587	$ (1,154,645)
Advance to BKFHC	(247,100)	(24,438)
Purchase of Fixed Assets	(3,012,925)	(2,485,993)
Acquisition of Not-for-Profit Entity	-	(6,459,150)
Net Cash Provided (Used) by Investing	**$ (2,924,438)**	**$ (10,124,226)**
Cash Flows from Financing		
Refunds (Deposit)s of Debt Reserve Funds	$ -	$ (59,547)
Proceeds (Payments) of Loans	972,389	2,928,507
Proceeds (Payments) of Mortgages and Bonds	(836,403)	1,107,667
Net Cash Provided (Used) by Financing	**$ 135,986**	**$ 3,976,627**
Net Cash Provided(Used):	**$ (2,867,871)**	**$ (337,882)**
Cash Balance Beginning	4,296,630	4,634,512
CASH BALANCE ENDING	**$ 1,428,759**	**$ 4,296,630**
Interest Paid	$ 476,569	$ 394,039

See notes to financial statements

HASC CENTER, INC. AND AFFILIATES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note A – Nature of Organization

Hasc Center, Inc. And Affiliates., (the Agency) is a not-for-profit agency that provides an array of services in Brooklyn, NY, to children and adults with developmental disabilities and their families. Approximately 90% of the Agency's revenue is Medicaid received from Office for People with Developmental Disabilities (OPWDD). The services include Day Programming, Residential Services, Employment Services, Service Coordination and Residential Habilitation. On March 29, 2018 Hasc Center, Inc. became the sole member of another Not-For-Profit agency, Camp Hasc Inc. Camp Hasc Inc. is an overnight and day camp in Sullivan county serving children and adults with development disabilities as well as other special needs individuals.

Note B – Accounting Policies

The accounting policies of the Agency conform to accounting principles generally accepted as applicable to voluntary health and welfare agencies. The accrual basis of accounting is followed by the Agency. Under the accrual basis of accounting, revenues are reported when earned. Expenditures are recorded when the goods are received or services are rendered. Sick and vacation pay is recorded when earned.

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation have not been material to the financial statements.

The Agency reports investments in equity and debt securities at their fair values in the statements of financial position. Interest, dividends, realized and unrealized gains and losses are included in the change in net assets.

All depreciable assets that cost at least $1,000 are recorded at cost and are depreciated on a straight-line basis. Buildings are depreciated over 25 years. Machinery and equipment are depreciated over 3 to 7 years and transportation equipment over 4 years. Leasehold improvements are depreciated over the term of the lease including extensions at the tenant's option.

Note B – Accounting Policies (continued)

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

The Agency reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Restricted revenue whose restriction expired during the year is presented as unrestricted revenue.

Information for the year ended June 30, 2018, is presented for comparative purposes only, and was extracted from the financial statements prepared for that year, upon which an unqualified opinion dated October 31, 2018, was expressed. Certain items have been reclassified to conform with current year presentation.

The Agency is a tax-exempt organization under the law of New York State and under Internal Revenue Code 501(c) (3) as a non-private foundation.

For purposes of the statements of cash flows, the organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Subsequent events have been evaluated through November 30, 2019, the date of which financial statements were available to be issued.

Note C – Concentrations of Credit Risk

The Agency maintains cash balances at Capital One Bank and Bank of New York Mellon located in New York City. Federal Deposit Insurance Corporation insures all accounts at each institution in full.

Note D – Investments

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

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

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018, and 2019.

Common stocks, corporate bonds and government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value ('NAV') of shares held by the Agency at year end.

Note D – Investments (continued)

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 Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Agency's assets at fair value as of June 30, 2019:

	2019	2018
Level 1	$3,575,682	$3,565,394
Level 2	$10,408,072	9,404,707
Total	$13,983,754	$12,970,101

Investment income is a result of interest earnings as well as unrealized gains in the fair market value of the investments.

Note E – Accounts Receivable

Accounts Receivable represents amounts owed to Hasc Center from revenues other than program service fees net of an allowance for bad debts estimated to be $4,000.

Note F – Medicaid and Grants Receivable

All of the Medicaid and Grants Receivable are due from OPWDD.

Note G – Reserve Funds and Closing Costs

Reserve funds represents cash held by Bank of New York under the New York City Industrial Development Agency financing arrangement and by Dormitory Authority of the State of New York (DASNY) as security for payment of the Bonds and Mortgage loans.

Closing costs represents the costs of obtaining the mortgages payable through the DASNY and New York City Industrial Development Agency. The costs are being amortized over 15 years, which is the life of the mortgages.

Note H - Bonds Payable

2013 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $10,000 to $300,000 plus interest at 3.280%, through July 2028, secured by real property and facilities. The balance due as of June 30, 2019 is $2,430,000.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2020	240,000
Year ending June 30, 2021	250,000
Year ending June 30, 2022	255,000
Year ending June 30, 2023	260,000
Year ending June 30, 2024	265,000
Thereafter	1,160,000

2015 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $75,000 to $500,000 plus interest at 2.98%, through July 2029, secured by real property and facilities. The balance due as of June 30, 2019 is $3,013,198.

Note H - Bonds Payable (continued)

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2020	420,000
Year ending June 30, 2021	410,000
Year ending June 30, 2022	435,000
Year ending June 30, 2023	350,000
Year ending June 30, 2024	355,000
Thereafter	1,043,198

2017 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $25,000 to $115,000 plus interest at 3.384%, through July 2042, secured by real property and facilities. The balance due as of June 30, 2019 is $1,875,000.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2020	50,000
Year ending June 30, 2021	55,000
Year ending June 30, 2022	60,000
Year ending June 30, 2023	60,000
Year ending June 30, 2023	65,000
Thereafter	1,000,000
Total Bonds Payable:	7,318,198

Note I – Mortgages Payable

The Agency is liable for several mortgage loans from Capital One Bank to finance construction or renovation of the residential sites. The combined original amount of the loans was $2,791,462. Certain of the Agency's real property is pledged as collateral to the mortgages. Certain of the agreements provide for restrictions on the Agency's guarantees, other loans, mergers or other major changes in the business and on cash flow, net assets, and debt to capital ratio. Interest rates are between 6.4% -7.1%. Total balance due at June 30, 2019 is $898,386.

Year ending June 30, 2020	157,486
Year ending June 30, 2021	169,063
Year ending June 30, 2022	180,063
Year ending June 30, 2023	177,096
Year ending June 30, 2024	180,000
Thereafter	34,678

The Organization has entered into an interest swap agreement. The Organization entered into this derivative instrument for the purpose of hedging interest rate risks, not for speculation. The swap agreement changes the nature of the interest rate paid on organization's long-term debt. The differential between the fixed and the variable rate interest payments is recognized as an increase/decrease in interest expense in the period incurred. The carrying value of the long-term debt (including current portion) approximates fair value since the current interest rate approximates market rates.

Note J – Loans Payable

The Agency is liable for several notes for financing of capitalized equipment and auto leases. The total balance at June 30, 2019, is $8,531,592. Interest expense at various rates ranging from 1%-4.1% Principal installments due until completion are as follows:

Year ending June 30, 2020	692,465
Year ending June 30, 2021	678,333
Year ending June 30, 2022	452,222

The Agency also has a line of credit with Capital One Bank in the amount of $2,500,000. As of June 30, 2019, the draw down against the line was $2,500,000 reported as loans payables in the financial statements. The line of credit interest rate is 5%. Additionally, the agency has a loan due FJC in the amount of $5,000,000 to finance the purchase of a new site. Management expects to convert the loan to permanent financing upon completion of construction. The interest rate is prime plus 3%.

Note K – Advance from OPWDD

Advance from OPWDD represents amounts advanced by the New York State Office for People with Developmental Disabilities to finance renovation of new sites and start-up of new programs. These amounts are either repaid over five years from the date the new program opens, or are converted to long term debt by inclusion in the mortgage loan from Dormitory Authority of the State of New York.

Note L – Leases

The Agency leases space for various sites in Brooklyn and Sullivan County. The leases are for 2 to 10 years. Rent expense for the year ended June 30, 2019, was $2,678,224, and future commitments are:

Year ending June 30, 2020	1,743,760
Year ending June 30, 2021	1,269,004
Year ending June 30, 2022	1,242,067
Year ending June 30, 2023	1,189,837

Note M – Equipment Leases

The Agency leases various auto and office equipment under 2 to 5-year leases. Total amount paid under expensed leases during the year ended June 30, 2019, was $64,645, and future required payments are:

Year ending June 30, 2020	50,560
Year ending June 30, 2021	38,022
Year ending June 30, 2022	12,240

Note N – Due to Employees HCI

This represents the accrued health insurance expense for the unexpended funds received from New York State OPWDD for the purpose of reimbursing employees for healthcare expenses.

Note O – Related Parties

The Agency provided management services to Hasc Diagnostic & Treatment Center, Inc. Management fees for the year ended June 30, 2019, was $39,000. The two entities are under common management.

Hasc Center, Inc. purchased transportation services from a Not for Profit entity at a cost of $1,143,142 and $1,321,893 for the years ended June 30, 2018, and June 30, 2019, respectively. The two entities are under common management.

Note P – Pension Plan

The Agency maintains a 401K pension plan covering all employees who have been employed at least one year. Employees may contribute salaries to a maximum of $18,500, and an additional $6,000 for employees over fifty years old. The Agency matches 25% of employee contributions to a maximum of $2,500 of employee contributions. The cost of the plan was $189,846 for the year ended June 30, 2019.

Note Q – Commitment and Contingencies

The Agency receives payments from third party payers for services. These payments are subject to audit by various regulatory bodies which may give rise to contingent liabilities. The board has set up funds for such contingent liabilities, which is reflected in the financial statements as board designated funds. HASC Center INC. was a member of the Community Residence Saving Plan self- insurance trust (CRISP), for the purpose of providing workers' compensation benefit under the NYS workers compensation law. The trust was taken over by the NYS Workers' Compensation Board, The Agency has agreed to settle all claims for $348,240 payable over 10 years in monthly installments of $2,902 inclusive of 3% interest. The amount due as of June 30, 2019 is $235,062. This is reported in the statement of financial position as other liabilities. The Agency advanced to a related not for profit organization, based on the terms of a subvention the amount of $2,200,000 for working capital, as well as guaranteeing their loan of $5,000,000.

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HASC CENTER, INC.

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

CONTENTS

J. GLIKSMAN CPA P.C.
CERTIFIED PUBLIC ACCOUNTANT
5417 18TH AVENUE
BROOKLYN, NY 11204

TEL (718) 234-8181
FAX (718) 234-0014

JOSEPH GLIKSMAN, CPA
MEMBER: AICPA
NYSSCPA

PARTICIPANT: AICPA
PEER REVIEW PROGRAM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hasc Center, Inc.
Brooklyn, NY

We have audited the accompanying consolidated financial statements of Hasc Center, Inc. and Subsidiaries (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hasc Center, Inc. and Subsidiaries, as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Hasc Center, Inc. June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2017. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statement from which it has been derived.

J. Gliksman, CPA PC

October 31, 2018

HASC CENTER, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(With Comparative Totals for June 30, 2017)

Current Assets	2018	2017
Cash and Cash Equivalents	$ 4,296,630	$ 4,634,512
Investments	14,319,341	13,164,696
Accounts Receivable (Less Allowance for Bad Debts $4,000)	1,150,363	1,583,976
Medicaid and Grants Receivable	8,476,419	8,152,482
Prepaid Expenses	836,626	723,837
Prepaid Interest	10,880	10,879
Note Receivable - BKFHC	822,862	778,116
Total Current Assets	**$ 29,913,121**	**$ 29,048,498**
Fixed Assets		
Land	$ 2,890,610	$ 2,481,500
Building	29,279,292	28,332,224
Leasehold Improvements	4,025,138	3,231,506
Vehicles	884,363	800,711
Machinery & Equipment	912,695	803,968
Furniture & Fixtures	658,851	610,731
Accumulated Depreciation	(14,366,842)	(12,753,090)
Total Fixed Assets	**$ 24,284,107**	**$ 23,507,550**
Other Assets		
Due from BKFHC	$ 788,089	$ 808,397
Reserve Funds	652,947	593,400
Security Deposits	115,649	112,713
Retirement Trust Fund	1,227,209	1,133,661
Bond Closing Costs (Net of Amortization of $904,530)	899,402	840,022
Total Other Assets	**$ 3,683,296**	**$ 3,488,193**
TOTAL ASSETS	**$ 57,880,524**	**$ 56,044,241**

See notes to financial statements

HASC CENTER, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(With Comparative Totals for June 30, 2017)

Current Liabilities	2018	2017
Accounts Payable	$ 1,689,776	$ 846,758
Due to Employees HCI	415,523	415,523
Accrued Wages & Taxes	1,264,290	962,724
Accrued Expenses	191,111	113,380
Loans Payable	1,002,564	854,918
Advances Due OPWDD	216,549	216,560
Bonds Payable	710,000	715,000
Mortgages Payable	146,985	222,438
Interest Payable	72,443	65,776
Deferred Revenue	786,324	3,050
Other Liabilities	34,824	34,824
Total Current Liabilities	**$ 6,530,389**	**$ 4,450,951**
Other Liabilities		
Loans Payable	$ 7,848,778	$ 5,067,917
Advances Due OPWDD	250,218	250,218
Retirement Trust Fund	1,227,209	1,133,661
Bonds Payable	7,318,198	6,060,854
Mortgages Payable	898,386	1,067,825
Other Liabilities	269,886	304,710
Total Other Liabilities	**$ 17,812,675**	**$ 13,885,185**
TOTAL LIABILITIES	**$ 24,343,064**	**$ 18,336,136**
Net Assets		
Unrestricted Net Assets	$ 31,415,427	$ 36,028,796
Temporarily Restricted Net Assets	47,343	47,343
Board Designated Net Assets	2,074,690	1,631,966
Total Net Assets	**$ 33,537,460**	**$ 37,708,105**
TOTAL LIABILITIES AND NET ASSETS	**$ 57,880,524**	**$ 56,044,241**

See notes to financial statements

HASC CENTER, INC
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for June 30, 2017)

	Unrestricted 2018	Unrestricted 2017
Revenue		
Workshop Sales	$ 8,592	$ 459,536
Grants	376,850	565,258
Program Service Fees	45,703,683	40,781,149
Management Income	39,000	39,000
Other Income	167,599	199,365
Contribution	162,076	-
Investment Income	1,140,335	1,203,073
Total	**$ 47,598,135**	**$ 43,247,381**
Expenses		
Program Expenses	$ 42,341,858	$ 38,943,586
Management & General	2,921,655	2,749,253
Fundraising	46,117	-
Total	**$ 45,309,630**	**$ 41,692,839**
Change in Net Assets	$ 2,288,505	$ 1,554,542
Acquisition of Not-for-Profit Entity	(6,459,150)	
Net Assets Beginning	37,708,105	36,153,563
NET ASSETS ENDING	**$ 33,537,460**	**$ 37,708,105**

See notes to financial statements

HASC CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for June 30, 2017)

Expenses	Programs	General & Administrative	Fundraising	Total 2018	Total 2017
Salaries	$23,875,039	$ 1,459,389	$ -	$25,334,428	$22,853,006
Taxes & Fringe Benefits	6,987,051	746,932	-	7,733,983	8,056,287
Total Salaries and Benefits	**$30,862,090**	**$ 2,206,321**	**$ -**	**$33,068,411**	**$30,909,293**
Food	1,553,863	9,830	153	1,563,846	1,353,653
Repair & Maintenance	367,459	15,982	3,235	386,676	332,115
Utilities	565,789	25,307	490	591,586	539,133
Transportation	1,375,643	12,056	12,640	1,400,339	1,358,378
Auto Expense	249,224	46,468	2,244	297,936	295,523
Consumer Allowances & Incident	607,096	-	-	607,096	515,839
Consumer Recreation	1,307,220	-	-	1,307,220	627,874
Consumer Salaries	10,686	-	-	10,686	31,321
Staff Training	43,888	75	-	43,963	40,260
Office Expense	317,349	84,772	2,554	404,675	374,671
Supplies	580,015	15,641	8,737	604,393	656,131
Postage	14,285	8,749	135	23,169	32,910
Advertising	71,346	10,373	14,169	95,888	56,747
Data Processing	118,232	8,624	-	126,856	116,345
Licenses & Fees	74,713	4,073	1,760	80,546	74,282
Professional Fees	122,773	303,391	-	426,164	371,772
Equipment Lease	74,854	8,855	-	83,709	69,701
Rent	1,806,374	68,800	-	1,875,174	1,715,233
Insurance	164,511	43,311	-	207,822	292,176
Interest	366,511	27,528	-	394,039	406,865
Depreciation & Amortization	1,687,937	21,499	-	1,709,436	1,522,617
TOTAL EXPENSES	**$42,341,858**	**$ 2,921,655**	**$ 46,117**	**$45,309,630**	**$41,692,839**

See notes to financial statements

HASC CENTER, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for June 30, 2017)

	2018	2017
Cash Flows from Operations		
Increase in Net Assets	$ 2,288,505	$ 1,554,542
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operations:		
Non-Cash Items:		
Depreciation & Amortization	1,709,436	1,522,617
Increase (Decrease) in Cash Resulting from Changes in Operating Assets and Liabilities:		
Receivables, Prepaids, Etc.	(158,978)	(1,783,101)
Payables, Accruals, Etc.	1,970,754	583,530
Net Cash Provided by Operations	**$ 5,809,717**	**$ 1,877,588**
Cash Flows from Investing		
Purchase of Investments	$ (1,154,645)	$ (1,178,082)
Advance to BKFHC	(24,438)	(143,936)
Purchase of Fixed Assets	(2,485,993)	(12,018,368)
Acquisition of Not-for-Profit Entity	(6,459,150)	-
Net Cash Provided (Used) by Investing	**$ (10,124,226)**	**$ (13,340,386)**
Cash Flows from Financing		
Refunds (Deposit)s of Debt Reserve Funds	$ (59,547)	$ 376,265
Proceeds (Payments) of Loans	2,928,507	5,822,874
Proceeds (Payments) of Mortgages and Bonds	1,107,667	(1,217,782)
Net Cash Provided (Used) by Financing	**$ 3,976,627**	**$ 4,981,357**
Net Cash Provided(Used):	**$ (337,882)**	**$ (6,481,441)**
Cash Balance Beginning	4,634,512	11,115,953
CASH BALANCE ENDING	**$ 4,296,630**	**$ 4,634,512**
Interest Paid	$ 394,039	$ 406,865

See notes to financial statements

HASC CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

Note A – Nature of Organization

Hasc Center, Inc. and its subsidiaries, (the Agency) is a not-for-profit agency that provides an array of services, to children and adults with developmental disabilities and their families. Approximately 90% of the Agency's revenue is Medicaid received from Office for People with Developmental Disabilities (OPWDD). The services include Day Programming, Residential Services, Employment Services, Service Coordination and Residential Habilitation. On March 29, 2018 Hasc Center, Inc. became the sole member of another Not-For-Profit agency, Camp Hasc Inc. Camp Hasc Inc. is an overnight and day camp in Sullivan county serving children and adults with development disabilities as well as other special needs individuals.

Note B – Accounting Policies

The accounting policies of the Agency conform to accounting principles generally accepted as applicable to voluntary health and welfare agencies. The accrual basis of accounting is followed by the Agency. Under the accrual basis of accounting, revenues are reported when earned. Expenditures are recorded when the goods are received or services are rendered. Sick and vacation pay is recorded when earned.

The consolidated financial statements include the accounts of Hasc Center Inc. and Camp Hasc Inc. Camp Hasc Inc. is consolidated since Hasc Center Inc. is the sole member of Camp Hasc Inc. All material intra-entity transactions have been eliminated.

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation have not been material to the financial statements.

The Agency reports investments in equity and debt securities at their fair values in the statements of financial position. Interest, dividends, realized and unrealized gains and losses are included in the change in net assets.

All depreciable assets that cost at least $1,000 are recorded at cost and are depreciated on a straight-line basis. Buildings are depreciated over 25 years. Machinery and equipment are depreciated over 3 to 7 years and transportation equipment over 4 years. Leasehold improvements are depreciated over the term of the lease including extensions at the tenant's option.

Note B – Accounting Policies (continued)

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

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- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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Note D – Investments (continued)

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 Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Agency's assets at fair value as of June 30, 2018:

	Level 1	
	2017	2018
Equity securities	$2,647,412	$3,143,962
U S government and agency bonds	2,096,278	545,756
Stock mutual funds & exchange Traded funds	6,108,896	6,992,148
Fixed income funds		1,694,269
Cash & money market accounts	853,360	421,432
International funds & commodities	144,925	168,034
Accrued interest	3,097	4,500
Total	$11,853,968	$12,970,101

Additionally, investments includes a J P Morgan Annuity in the amount of $1,322,240 and an insurance policy with a cash value of $27,000. The investments are not insured. The annuity pays 3% interest per year. Interest and dividend income from these holdings for the year ended June 30, 2018, was $383,753. Realized gains in fair market value of the investments for the year ended June 30, 2018, is reported in the statement of activities in the amount of $226,011. Unrealized gains in fair market value of the investments for the year ended June 30, 2018, is reported in the statement of activities in the amount of $621,085. Portfolio management expense and taxes for the year ended June 30, 2018, was $90,514.

Note E – Accounts Receivable

Accounts Receivable represents amounts owed to Hasc Center from revenues other than program service fees net of an allowance for bad debts estimated to be $4,000.

Note F – Medicaid and Grants Receivable

All of the Medicaid and Grants Receivable are due from OPWDD.

Note G – Reserve Funds and Closing Costs

Reserve funds represents cash held by Bank of New York under the New York City Industrial Development Agency financing arrangement and by Dormitory Authority of the State of New York (DASNY) as security for payment of the Bonds and Mortgage loans.

Closing costs represents the costs of obtaining the mortgages payable through the DASNY and New York City Industrial Development Agency. The costs are being amortized over 15 years, which is the life of the mortgages.

Note H - Bonds Payable

2013 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $10,000 to $300,000 plus interest at 3.280%, through July 2028, secured by real property and facilities. The balance due as of June 30, 2018 is $2,665,000. Interest expense for the year is $83,588.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2019	$235,000
Year ending June 30, 2020	240,000
Year ending June 30, 2021	250,000
Year ending June 30, 2022	255,000
Year ending June 30, 2023	260,000
Thereafter	1,425,000

2015 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $75,000 to $500,000 plus interest at 2.98%, through July 2029, secured by real property and facilities. The balance due as of June 30, 2018 is $3,433,198. Interest expense for the year is $111,600.

Note H - Bonds Payable (continued)

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2019	$ 420,000
Year ending June 30, 2020	420,000
Year ending June 30, 2021	410,000
Year ending June 30, 2022	435,000
Year ending June 30, 2023	350,000
Thereafter	1,398,198

2017 Dormitory Authority of The State of NY revenue bonds payable in annual principal installments of $25,000 to $115,000 plus interest at 3.384%, through July 2042, secured by real property and facilities. The balance due as of June 30, 2018 is $1,930,000. Interest expense for the year is $54,900.

Future maturities of revenue bonds payable are as follows:

Year ending June 30, 2019	$ 55,000
Year ending June 30, 2020	50,000
Year ending June 30, 2021	55,000
Year ending June 30, 2022	60,000
Year ending June 30, 2023	60,000
Thereafter	1,650,000
Total Bonds Payable:	8,028,198

Note I – Mortgages Payable

The Agency is liable for several mortgage loans from Capital One Bank to finance construction or renovation of the residential sites. The combined original amount of the loans was $2,791,462. Certain of the Agency's real property is pledged as collateral to the mortgages. Certain of the agreements provide for restrictions on the Agency's guarantees, other loans, mergers or other major changes in the business and on cash flow, net assets, and debt to capital ratio. Interest rates are between 6.4% -7.1%. Total balance due at June 30, 2018 is $1,045,371. Interest expense, is $79,312. Principal installments due in each of the next five years are as follows:

Year ending June 30, 2019	$ 146,985
Year ending June 30, 2020	157,486
Year ending June 30, 2021	169,063

Note I – Mortgages Payable (Continued)

Year ending June 30, 2022	180,063
Year ending June 30, 2023	177,096
Thereafter	214,678

The Organization has entered into an interest swap agreement. The Organization entered into this derivative instrument for the purpose of hedging interest rate risks, not for speculation. The swap agreement changes the nature of the interest rate paid on organization's long-term debt. The differential between the fixed and the variable rate interest payments is recognized as an increase/decrease in interest expense in the period incurred. The carrying value of the long-term debt (including current portion) approximates fair value since the current interest rate approximates market rates.

Note J – Loans Payable

The Agency is liable for several notes for financing of capitalized equipment and auto leases. The total balance at June 30, 2018, is $8,851,342. Interest expense at various rates ranging from 1%-4.1% for the year ended June 30, 2018, was $64,639. Principal installments due until completion are as follows:

Year ending June 30, 2019	1,002,564
Year ending June 30, 2020	692,465
Year ending June 30, 2021	656,313

The Agency also has a line of credit with Capital One Bank in the amount of $2,500,000. As of June 30, 2018, the draw down against the line was $1,500,000 reported as loans payables in the financial statements. Subsequent to the balance sheet date the Agency drew down an additional $1,000,000. The line of credit interest rate is 5%. Additionally, the agency has a loan due to FJC in the amount of $5,000,000 to finance the purchase of a new site. Management expects to convert the loan to permanent financing upon completion of construction. The interest rate is prime plus 3%. Interest for the year in the amount of $373,893 was capitalized. There are other loans payable in the amount of $2,351,342.

Note K – Advance from OPWDD

Advance from OPWDD represents amounts advanced by the New York State Office for People with Developmental Disabilities to finance renovation of new sites and start-up of new programs. These amounts are either repaid over five years from the date the new program opens, or are converted to long term debt by inclusion in the mortgage loan from Dormitory Authority of the State of New York.

Note L – Leases

The Agency leases space for various sites in Brooklyn and Sullivan County. The leases are for 2 to 10 years. Rent expense for the year ended June 30, 2018, was $1,875,174, and future commitments are:

Year ending June 30, 2019	$ 2,359,060
Year ending June 30, 2020	1,743,760
Year ending June 30, 2021	1,269,004
Year ending June 30, 2022	1,242,067
Year ending June 30, 2023	1,189,837

Note M – Equipment Leases

The Agency leases various auto and office equipment under 2 to 5-year leases. Total amount paid under expensed leases during the year ended June 30, 2018, was $83,709, and future required payments are:

Year ending June 30, 2019	$ 50,560
Year ending June 30, 2020	50,560
Year ending June 30, 2021	38,022
Year ending June 30, 2022	12,240

Note N – Due to Employees HCI

This represents the accrued health insurance expense for the unexpended funds received from New York State OPWDD for the purpose of reimbursing employees for healthcare expenses.

Note O – Net Assets

Hasc Center became the sole member of Camp HASC, Inc. This resulted in recognizing an excess of liabilities assumed over assets acquired of $6,459,150, as reported in the Statement of Activities.

Note P – Related Parties

The Agency provided management services to Hasc Diagnostic & Treatment Center, Inc. Management fees for the year ended June 30, 2018, was $39,000. The two entities are under common management.

Note P Related Parties (Continued)

Hasc Center, Inc. purchased transportation services from a Not for Profit entity at a cost of $1,067,969 and $1,143,142 for the years ended June 30, 2017, and June 30, 2018, respectively. Hasc Center owed the other entity $299,696 and $279,273 as of June 30, 2018, and June 30, 2017, respectively. The two entities are under common management. The related entity owes Hasc Center $424,400 as of June 30, 2018 for shared expenses.

Note Q – Pension Plan

The Agency maintains a 401K pension plan covering all employees who have been employed at least one year. Employees may contribute salaries to a maximum of $18,500, and an additional $6,000 for employees over fifty years old. The Agency matches 25% of employee contributions to a maximum of $2,500 of employee contributions. The cost of the plan was $176,383 for the year ended June 30, 2018.

Note R – Commitment and Contingencies

The Agency receives payments from third party payers for services. These payments are subject to audit by various regulatory bodies which may give rise to contingent liabilities. The board has set up funds for such contingent liabilities, which is reflected in the financial statements as board designated funds. Hasc Center Inc. was a member of the Community Residence Saving Plan self- insurance trust (CRISP), for the purpose of providing workers' compensation benefit under the NYS workers compensation law. The trust was taken over by the NYS Workers' Compensation Board, The Agency has agreed to settle all claims for $348,240 payable over 10 years in monthly installments of $2,902 inclusive of 3% interest. The amount due as of June 30, 2018 is $304,710. This is reported in the statement of financial position as other liabilities. The Agency signed a letter of intent with another related not-for-profit organization to affirm their mutual understanding of availability of a certain subvention arrangement of $1,700,000 for working capital, as well as guaranteeing their loan of $5,000,000.

APPENDIX B-IV

HEARTSHARE HUMAN SERVICES OF NEW YORK

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2020, JUNE 30, 2019 AND JUNE 30, 2018)

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HeartShare Human Services of New York and Affiliates

Consolidated Financial Statements and Supplementary Information
Years Ended June 30, 2020 and 2019

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

HeartShare Human Services of New York and Affiliates

Consolidated Financial Statements and Supplementary Information
Years Ended June 30, 2020 and 2019

Contents

BDO

Tel: +212 885-8000
Fax: +212 697-1299
www.bdo.com

622 Third Avenue, 31st Floor
New York, NY 10017

Independent Auditor's Report

The Board of Directors
HeartShare Human Services of New York and Affiliates
Brooklyn, New York

We have audited the accompanying consolidated financial statements of HeartShare Human Services of New York and Affiliates (collectively, HeartShare and Affiliates), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HeartShare Human Services of New York and Affiliates as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary Consolidating Schedule of Financial Position and Consolidating Schedule of Activities are presented for purposes of additional analysis and are not required parts 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 to 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 to 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.

Audit of the 2019 Consolidated Financial Statements

The 2019 consolidated financial statements of HeartShare Human Services of New York and Affiliates were audited by other auditors, whose report dated November 27, 2019 expressed an unmodified opinion on those statements.

BDO USA, LLP

December 23, 2020

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Financial Position (with comparative totals for 2019)

June 30,	2020	2019
Assets		
Current Assets		
Cash	$ **5,549,052**	$ 2,205,596
Accounts receivable	**41,973,777**	34,563,098
Distribution receivable	**720,000**	720,000
Due from Metro Community Health Centers, Inc.	**645,918**	711,569
Prepaid expenses and other receivables	**1,271,733**	2,585,710
Security deposits	**617,936**	306,755
Other current assets	**174,946**	374,955
Total Current Assets	**50,953,362**	41,467,683
Due from The William M. Casey Foundation, Inc.	**1,272,041**	1,272,041
Distribution Receivable	**2,149,593**	2,773,324
Due from Metro Community Health Centers, Inc.	**705,608**	888,311
Beneficial Interest in Perpetual Trust	**38,550**	44,765
Interest in Net Assets of The William M. Casey Foundation, Inc.	**9,996,144**	8,249,665
Property and Equipment, Net	**31,622,447**	30,470,662
Other Noncurrent Assets	**237,294**	475,741
Total Assets	$ **96,975,039**	$ 85,642,192
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ **8,458,621**	$ 5,474,928
Accrued salaries and vacations payable	**8,091,984**	6,827,392
Due to government agencies	**5,563,173**	9,468,467
Current portion of long-term debt	**17,794,115**	3,832,697
Other current liabilities	**1,664,251**	663,834
Total Current Liabilities	**41,572,144**	26,267,318
Long-Term Liabilities		
Deferred payroll taxes	**743,114**	-
Due to government agencies	**8,430,006**	9,468,079
Long-term debt	**15,834,693**	21,179,610
Post-retirement benefit obligation	**518,610**	518,610
Deferred rent liability	**1,174,782**	1,451,626
Allowance for potential rate adjustments	**5,296,697**	3,698,375
Total Long-Term Liabilities	**31,997,902**	36,316,300
Total Liabilities	**73,570,046**	62,583,618
Net Assets		
Without donor restrictions	**18,070,518**	17,316,078
With donor restrictions	**5,334,475**	5,742,496
Total Net Assets	**23,404,993**	23,058,574
Total Liabilities and Net Assets	$ **96,975,039**	$ 85,642,192

See accompanying notes to consolidated financial statements.

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Activities
(with comparative totals for 2019)

Year ended June 30			2020	2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Gains and Other Support				
Contributions and bequests	$ 3,986,987	$ 552,323	$ 4,539,310	$ 3,952,793
Special events revenues	1,173,644	-	1,173,644	1,838,405
Direct costs of special events	(391,220)	-	(391,220)	(630,863)
Patient service revenues	1,312,389	-	1,312,389	3,328,319
Fees and grants from government agencies	139,830,379	-	139,830,379	132,362,137
Client fees	4,427,411	-	4,427,411	4,163,546
Other grants	-	17,120	17,120	767,765
Interest income	330,046	-	330,046	112,957
Other revenues	6,920,843	-	6,920,843	4,598,434
Rental income	138,626	-	138,626	134,832
Net assets released from restrictions	971,249	(971,249)	-	-
Total Revenues, Gains and Other Support	158,700,354	(401,806)	158,298,548	150,628,325
Expenses				
Program services:				
Boarding home	14,029,515	-	14,029,515	19,546,971
Medical services	6,327,189	-	6,327,189	5,257,219
AIDS services	-	-	-	12,338
Residence programs for the Developmentally Disabled	70,552,419	-	70,552,419	53,520,734
Prevention	7,951,304	-	7,951,304	6,899,942
Education	18,592,537	-	18,592,537	17,808,646
Respite	876,252	-	876,252	1,038,669
Energy programs	196,091	-	196,091	189,503
Day programs	21,219,300	-	21,219,300	22,505,199
Clinical services	1,074,578	-	1,074,578	2,890,919
Children community residence	-	-	-	3,229,013
American Dream program	604,470	-	604,470	468,823
Total Program Services	141,423,655	-	141,423,655	133,367,976
Supporting services:				
Management and general	17,580,678	-	17,580,678	17,439,036
Fundraising	688,060	-	688,060	766,734
Total Supporting Services	18,268,738	-	18,268,738	18,205,770
Total Expenses	159,692,393	-	159,692,393	151,573,746
Change in Net Assets, before other changes	(992,039)	(401,806)	(1,393,845)	(945,421)
Loss on beneficial interest in perpetual trust	-	(6,215)	(6,215)	(4,291)
Change in unfunded post-retirement benefits	-	-	-	84,868
Change in interest in net assets of The William M. Casey Foundation, Inc.	1,746,479	-	1,746,479	1,000,185
Change in Net Assets	754,440	(408,021)	346,419	135,341
Net Assets, beginning of year	17,316,078	5,742,496	23,058,574	22,923,233
Net Assets, end of year	$ 18,070,518	$ 5,334,475	$ 23,404,993	$ 23,058,574

See accompanying notes to consolidated financial statements.

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HeartShare Human Services of New York and Affiliates

Statements of Functional Expenses
(with comparative totals for 2019)

Year ended June 30,

	Program Services											Supporting Services			Total	
	Boarding Home	Medical Services	Residence Programs	Prevention	Education	Respite	Energy Programs	Day Programs	Clinical	American Dream	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2020**	2019
Salaries	$ 4,804,833	$ 3,368,930	$ 37,869,906	$ 5,162,419	$ 12,635,622	$ 469,219	$ 133,212	$ 8,643,558	$ 562,709	$ 172,582	$ 73,822,990	$ 9,616,409	$ 301,699	$ 9,918,108	**$ 83,741,098**	$ 78,607,286
Payroll taxes and employee benefits	1,280,670	787,292	9,822,160	1,433,158	3,088,097	122,052	33,845	2,228,289	131,500	53,870	18,980,933	2,836,963	70,749	2,907,712	**21,888,645**	20,316,978
Total Salaries and Related Expenses	6,085,503	4,156,222	47,692,066	6,595,577	15,723,719	591,271	167,057	10,871,847	694,209	226,452	92,803,923	12,453,372	372,448	12,825,820	**105,629,743**	98,924,264
Food	10,979	7,275	1,710,625	18,451	206,800	4,384	-	14,304	-	174	1,972,992	2,248	93	2,341	**1,975,333**	1,974,222
Clothing	385,420	-	142,031	22,652	39	-	-	32	-	-	550,174	-	400	400	**550,574**	602,425
Transportation	115,150	37,318	428,107	24,853	22,834	12,885	70	4,112,764	1,355	47,320	4,802,656	45,805	2,182	47,987	**4,850,643**	6,403,753
Supplies	79,238	76,887	1,229,218	165,545	125,610	3,618	1,120	118,852	3,416	2,421	1,805,925	207,572	12,467	220,039	**2,025,964**	1,573,043
Telephone	98,872	106,399	574,165	86,760	42,529	12,108	2,857	154,793	7,390	1,128	1,087,001	180,846	2,916	183,762	**1,270,763**	1,163,238
Professional fees and contract service payments	901,722	815,510	2,365,396	156,873	161,795	48,432	-	538,729	132,560	92,288	5,213,305	2,125,815	166,596	2,292,411	**7,505,716**	7,037,397
Camp fees and other children's activities	56,571	3,565	345,959	101,807	3,959	63,895	-	76,096	-	53,627	705,479	-	3,500	3,500	**708,979**	784,575
Dues	27,928	121,116	26,755	6,660	2,139	520	500	6,596	-	290	192,504	5,204	1,568	6,772	**199,276**	320,461
Postage, printing and publications	14,495	8,125	12,475	2,638	4,733	151	-	2,278	3,020	365	48,280	83,284	4,533	87,817	**136,097**	101,589
Minor equipment acquisitions	-	-	116,406	-	4	6	-	14	-	-	116,430	5,573	-	5,573	**122,003**	160,475
Occupancy	910,395	599,284	7,254,504	361,401	1,592,018	51,888	9,467	3,756,622	188,995	-	14,724,574	1,109,389	22,114	1,131,503	**15,856,077**	15,181,631
Repairs and maintenance	184,948	108,878	1,542,788	150,843	115,417	9,305	173	353,046	543	-	2,465,941	256,734	2,876	259,610	**2,725,551**	2,424,586
Equipment rental	5,675	-	574,836	54,393	6,892	15,538	1,008	257,728	14,295	-	930,365	76,340	537	76,877	**1,007,242**	961,676
Interest	153,727	57,088	1,108,991	11,909	49,524	11,546	564	47,527	-	-	1,440,876	29,345	945	30,290	**1,471,166**	1,165,514
Insurance	217,741	119,743	1,943,849	172,287	273,125	23,322	2,944	554,310	19,699	5,687	3,332,707	352,185	7,135	359,320	**3,692,027**	2,325,817
Medical supplies	-	-	476,535	-	5,332	49	-	12,189	1,319	-	495,424	-	-	-	**495,424**	497,111
New York State health care facility assessment	-	-	143,176	-	-	-	-	-	-	-	143,176	-	-	-	**143,176**	226,755
Depreciation and amortization	145,042	86,265	2,670,702	14,386	225,120	27,334	1,528	288,897	6,768	-	3,466,042	233,748	3,256	237,004	**3,703,046**	3,453,698
Miscellaneous	102,484	23,479	189,118	4,269	30,948	-	8,803	52,676	1,009	78,159	490,945	413,218	84,494	497,712	**988,657**	1,406,583
Foster boarding home payments	4,533,625	35	4,717	-	-	-	-	-	-	96,559	4,634,936	-	-	-	**4,634,936**	4,884,933
Total Expenses, reported on the consolidated statements of activities	$ 14,029,515	$ 6,327,189	$ 70,552,419	$ 7,951,304	$ 18,592,537	$ 876,252	$ 196,091	$ 21,219,300	$ 1,074,578	$ 604,470	$ 141,423,655	$ 17,580,678	$ 688,060	$ 18,268,738	**$ 159,692,393**	$ 151,573,746

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows
(with comparative totals for 2019)

Year ended June 30,	2020	2019
Cash Flows from Operating Activities		
Change in net assets	$ **346,419**	$ 135,341
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**3,703,046**	3,443,501
Amortization of debt issuance costs included in interest expense	**122,162**	170,469
Loss from disposal of property and equipment	**-**	110,594
Loss on beneficial interest in perpetual trust	**6,215**	4,291
Change in interest in net assets of The William M. Casey Foundation, Inc.	**(1,746,479)**	(1,000,185)
Post-retirement benefit obligation	**-**	(55,050)
Changes in:		
Accounts receivable	**(7,410,679)**	(4,200,243)
Distribution receivable	**623,731**	605,321
Due from Metro Community Health Centers, Inc.	**248,354**	285,057
Prepaid expenses and other receivables	**1,313,977**	(513,278)
Security deposits	**(311,181)**	(134,919)
Other current assets	**200,009**	43,800
Due from The William M. Casey Foundation, Inc.	**-**	(34,767)
Other noncurrent assets	**238,447**	(193,911)
Accounts payable and accrued expenses	**2,983,693**	1,388,477
Accrued salaries and vacations payable	**2,007,707**	444,399
Due to government agencies	**(4,943,368)**	1,152,972
Allowance for potential rate adjustments	**1,598,322**	(782,808)
Other current liabilities	**1,000,417**	233,176
Deferred rent liability	**(276,844)**	(32,190)
Net Cash Provided by (Used in) Operating Activities	**(296,052)**	1,070,047
Cash Flows from Investing Activities		
Property and equipment acquisitions	**(4,854,831)**	(6,255,941)
Net Cash Used in Investing Activities	**(4,854,831)**	(6,255,941)
Cash Flows from Financing Activities		
Proceeds from long-term debt	**15,041,192**	7,587,750
Principal payments on long-term debt	**(6,530,681)**	(5,668,963)
Debt issuance costs	**(16,172)**	(218,522)
Net Cash Provided by Financing Activities	**8,494,339**	1,700,265
Increase (Decrease) in Cash	**3,343,456**	(3,485,629)
Cash, beginning of year	**2,205,596**	5,691,225
Cash, end of year	$ **5,549,052**	$ 2,205,596
Supplemental Cash Flows Information		
Interest paid, net of capitalized interest	$ **733,947**	$ 989,180
Capital expenditure borrowings converted to term notes	**-**	3,582,990

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Nature of Organization

HeartShare Human Services of New York (HeartShare) operates programs in Brooklyn, Queens, and Staten Island, and was founded in 1914. HeartShare serves the community through children and family services, programs for persons of all ages with developmental disabilities and persons affected by HIV-AIDS. HeartShare is supported primarily by service fees paid by Medicaid, New York City and various New York State agencies, and government grants.

HeartShare Wellness, Ltd.'s (Wellness) operates Article 16 clinic services to provide evaluations and long-term therapies to individuals with intellectual and developmental disabilities (IDD). Wellness began operations on May 1, 2000. Wellness is supported primarily by patient service fees paid by Medicaid.

The members of Wellness are the Chairperson and President and CEO of HeartShare and one other person designated by the Chairperson of HeartShare.

HeartShare Education Center (dba The HeartShare School) (HEC) was granted a provisional charter by the New York State Education Department on July 26, 2006. Effective July 1, 2009, HEC's operations were segregated from HeartShare. HEC is approved by the New York State Education Department and the New York City Department of Education (DOE) to educate children ages five to 21 diagnosed with autism and the spectrum disorders, as well as children diagnosed with mental retardation and other developmental disabilities. HEC focuses on the whole child and uses a combination of educational, behavioral and therapeutic approaches based on each child's unique needs. HEC is funded by the New York State Education Department through the New York City Department of Education and the New York State Department of Health. Additional support is provided through private donations and grants.

The members of HEC are the Chairperson and President and CEO of HeartShare and one other person designated by the Chairperson of HeartShare.

St. Vincent's Services, Inc. (dba HeartShare St. Vincent's Services) (HSVS) serves the community through the provision of foster boarding home services, educational services, medical and mental health care, group homes, and intermediate care services. HSVS is supported primarily by service fees paid by Medicaid, New York City and various New York State agencies, and government grants. HSVS formally affiliated in 2014.

The by-laws state that HSVS shall have only five members: The Chairperson of HeartShare (unless otherwise so designated by the Board of Directors of HeartShare); the President and CEO of HeartShare (unless otherwise so designated by the Board of Directors of HeartShare); one other person designated by the Board of Directors of HeartShare, the "Designee of HeartShare"; and one other person designated by the Board of Directors of The William M. Casey Foundation, Inc. (the Foundation); and, ex officio, the Bishop of The Roman Catholic Diocese of Brooklyn, New York, or his designee as so designated in writing by the Bishop.

During 2019, HSVS Property Foundation, Ltd. was formed as a 501(c)(2) organization holding title to certain properties of HSVS. HSVS is the sole member of HSVS Property Foundation, Ltd. As of June 30, 2020, there was no activity in HSVS Property Foundation, Ltd.

HeartShare is a member of the New York Integrated Network for Persons with Developmental Disabilities and Affiliate (the Network) which was founded on June 12, 2012 as a collaborative venture of successful and trusted service providers in New York State. The purpose is to become a sustainable network with an integrated system with multiple services and supports that will develop new and innovative models of care, utilize best practices, stabilize quality of services, and demonstrate effective and efficient delivery of care. On November 14, 2014, the Network was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3). The Network is a publicly supported organization, as described in Internal Revenue Code Section 509(a). No consolidation is required, as HeartShare is one of several members and has less than a 50% membership in the corporation.

Meaningful NY Initiatives for People with Disabilities, Inc. (MNY) was founded on July 7, 2014. The purpose is to support individuals with disabilities in developing skills that will enable them to enter and be successful in the workforce by providing services to the community. On March 9, 2015, MNY was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3). MNY is a publicly supported organization, as described in Internal Revenue Code Section 509(a). Contributions to the Network have been expensed in these statements. No consolidation is required, as HeartShare is one of several members and has less than a 50% membership in MNY.

2. Principles of Consolidation

The accompanying consolidated financial statements include the balances, activities and cash flows of HeartShare, Wellness, HEC, and HSVS (collectively referred to as HeartShare and Affiliates). All intercompany transactions have been eliminated.

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit entities. In the consolidated statements of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Consolidated Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets defined below in the consolidated statements of financial position, and the amounts of change in each of those classes of net assets, are displayed in the consolidated statements of activities.

These classes are defined as follows:

Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of HeartShare and Affiliates. Expenses are reported as decreases in net assets without donor restrictions.

With Donor Restrictions - This class consists of net assets with donor restrictions whose use is limited by donor-imposed, time and/or purpose restrictions. HeartShare and Affiliates report gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Risks and Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As a result of the COVID-19 outbreak, HeartShare and Affiliates have incurred, and are expected to incur for the foreseeable future, incremental and other COVID-19 pandemic related expenses. COVID-19 related expenses consist of additional costs that are incurring to protect its employees, students and teachers, and to support social distancing requirements resulting from the COVID-19 pandemic. These costs include, but are not limited to, new or added benefits provided to consumers, employees and teachers, the purchase of additional personal protection equipment and disinfecting supplies, additional facility-cleaning services, initiated programs and communications to customers on utility response, and increased technology expenses to support remote working, where possible.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full impact that the pandemic will have on HeartShare and Affiliates' financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

On March 27. 2020, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was enacted. The CARES Act, among other things, has apportioned funds for the United States Small Business Administration Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as established the Public Health and Social Services Emergency Fund for eligible healthcare providers for healthcare-related expenses or lost revenue associated with the COVID-19 pandemic. In July 2020, HeartShare, HSVS, Wellness and HEC applied and received $1,900,000, $1,900,000, $308,603 and $517,931, respectively, in PPP loans, which management believes will be fully forgiven. HeartShare, HSVS and Wellness have all successfully applied for and are scheduled to receive $1,800,000, $800,000 and $60,000, respectively, from provider relief funds.

HeartShare and Affiliates elected to defer employer-side payroll taxes during the quarter April 1, 2020 through June 30, 2020 in the amount of $743,144.

Accounts Receivable

HeartShare and Affiliates record receivables based on the amount of consideration to which the organization expects to be entitled in exchange for services provided based on established rates. HeartShare and Affiliates perform individual credit risk assessments, which evaluate the individual circumstances, abilities and intentions of each customer prior to providing the services. If, subsequent to providing the services, HeartShare and Affiliates become aware of customer-specific events, facts or circumstances indicating customers no longer have the ability or intention to pay the amount of consideration to which HeartShare and Affiliates are expected to be entitled for providing the services, then the related receivable balances are written off as bad debt expense and reported in the consolidated statements of activities.

Contract Assets

Amounts related to services provided to customers who have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances would consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at June 30, 2020.

Due from Metro Community Health Centers, Inc.

Included in due from Metro Community Health Centers, Inc. is a loan receivable that is recorded based on a signed loan agreement (see Note 8). Interest is accrued based on a rate specified in the loan agreement. In addition, a receivable has been recorded for operational costs incurred in the start-up of the program. No allowance has been recorded at June 30, 2020 and 2019.

Beneficial Interest in Perpetual Trust

HSVS is a beneficiary of a perpetual trust held by another entity, as a trustee. HSVS's beneficial interest in this trust is recorded at the fair value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Items with a cost in excess of $500 for HeartShare, Wellness, and HEC, and $1,000 for HSVS, and an estimated useful life of greater than one year, are capitalized. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the shorter of the term of the lease or the estimated useful life of the improvement.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	Years
Building	20-25
Transportation equipment	4-5
Furniture and equipment	3-5
Leasehold improvements	5-15

HeartShare Human Services of New York and Affiliates

Notes to Consolidated Financial Statements

HeartShare capitalizes interest costs as a component of buildings, based on the weighted-average rates paid for long-term borrowing. Total interest incurred each year was:

June 30,		**2020**		2019
Interest costs capitalized	$	**181,681**	$	138,230
Interest costs charged to expense		**733,947**		1,165,517
Total Interest Incurred	$	**915,628**	$	1,303,747

Long-Lived Asset Impairment

HeartShare and Affiliates evaluate the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2020 and 2019.

Debt Issuance Costs

Debt issuance costs are reflected as a reduction of the carrying amount of the related debt and are amortized on the straight-line basis over the term of the associated debt. Amortization of debt issuance costs is included in interest expense.

Contract Liability

A contract liability represents revenue that has been deferred for the funds advanced by various government agencies for HeartShare and Affiliates' contracts related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding sources for HeartShare and Affiliates' contracts for services not yet performed and are expected to be performed within the next fiscal year. There were no contract liabilities at June 30, 2020.

Rental Income

Rental income is recognized based on the lease agreements. Leases are reflected on the straight-line basis.

Contributions and Bequests

Contributions and bequests are provided to HeartShare and Affiliates either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts, with or without donor restrictions. The value recorded for each contribution and bequest is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction:	
Gifts that depend on HeartShare and Affiliates overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
Unconditional gifts, with or without restriction:	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restrictions.

Conditional contributions having donor stipulations that are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Leases

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Operating lease payments are charged to rent expense. Rent expense is recorded on the straight-line basis over the term of the lease, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Income Taxes

HeartShare and Affiliates are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. HeartShare and Affiliates are publicly supported organizations, as described in Section 509(a).

However, HeartShare and Affiliates are subject to federal income tax on any unrelated business taxable income. HeartShare and Affiliates file tax returns in the U.S. federal jurisdiction.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing HeartShare and Affiliates' services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on the job responsibility, square footage, and other methods.

Program services are summarized as follows:

Boarding Home - The Boarding Home Program is funded by the City of New York through the Administration for Children's Services (ACS). ACS places abused and neglected children with contracted agencies that provide the children with foster homes and services. ACS pays a per-diem rate to the agency.

Medical Services - The children in foster care receive general medical care through Medicaid. Medicaid is funded 50% by the federal government and 50% by New York State. Based on the different types of programs, the agency receives various per-diem rates. The Out-Patient Clinic (OPC) serves adult clients who struggle with mental health issues. This program is funded by the New York State Office of Mental Health (OMH). The Chemical Dependency program serves adult clients with substance abuse issues.

Residence Programs for the Developmentally Disabled – The Intermediate Care Facilities (ICF) operates by certification from the Office for People with Developmental Disabilities (OPWDD) with a capacity of up to 30 beds to provide active programming, room and board, and continuous 24-hour per day supervision. The supervised Individual Residential Alternative (IRA), which provides 24-hour supervised care, and the Supportive IRA, where the consumer receives services in a more independent setting, are a community-based group living arrangement that provides room, board and individualized protective oversight. They are designed to provide a home environment and a setting where persons can acquire the skills necessary to live as independently as possible. The residence programs are certified by OPWDD. The Community Habilitation services are residential habilitation services that are provided to individuals who do not reside in a residence that is certified or operated by OPWDD. Residential Habilitation also may include program-related personal care, health care and protective oversight and supervision. Residence programs serve adult clients referred from local hospitals who struggle with substance abuse and mental health issues. Residents are connected to support services, such as mental health and drug treatment programs, to help them become self-sufficient. Residence programs, coupled with such services, provide an affordable, safe and permanent place to live for people facing homelessness. In addition to allowing tenants to build their independence and become part of a community, this type of program reduces long-term costs to the city and state, such as for psychiatric inpatient care and emergency rooms. The Children Community Residence program provides for 24 youngsters residing at three locations, each with various services such as daily living, social skills, behavioral management, crisis management, family support and therapeutic recreation.

Prevention - The Prevention Programs are funded by the City of New York. Three of the programs are funded through ACS with contracted services provided to 352 families. The other program is funded through the Department of Youth and Community Development (DYCD) with contracted services provided to 105 families. These programs are community-based family service centers that help families find healthy ways to resolve problems and avoid conflicts and crisis. The goal is to help these families stay together and keep the children out of foster care. ACS and DYCD reimburse the agency for qualifying expenses.

Education - The Education Programs are for children who are diagnosed as learning-disabled. Disabilities can range from mild to severe. Clinical services are required for the programs. The program is funded by New York State Education Department through New York City Department of Education. The two Beacon Programs, the Out of School Time Program, the New York City Housing Authority (NYCHA) Community Program and the two Cornerstone Programs are funded by the City of New York through DYCD. These programs provide recreational and educational activities for community residents of all ages. DYCD reimburses the agency for qualifying expenses.

Respite – This program provides an array of services that support families in maintaining their family members with disabilities at home or at-site.

Energy Programs - Grants are funded through contributions by Con Edison, Entergy, National Grid, New York State Electric and Gas Corporation (NYSEG), Rochester Gas and Electric Corporation (RGE), foundations, corporations, and generous individuals. HeartShare administers the program that helps over 5,000 families stay warm in the winter and cool in the summer.

Day Programs - The Day Programs provide individuals with training in self-care and independent living skills. The programs also offer occupational, physical and speech therapy services. The staff also assists families with residential living plans for their relatives with developmental disabilities. Each facility offers services for individuals based on levels of disability.

Clinical Services - This program includes Article 16 clinic services that provide evaluations and long-term therapies to individuals with IDD, as well as a targeted case management program (Health Home) for those with chronic health/mental health conditions who also receive Medicaid.

American Dream Program - This program is funded by contributions used to provide and assist with the finest educational opportunities for clients who are still in care or those who have aged out of care.

Reclassifications

Certain reclassifications have been made to the 2019 consolidated financial statements to conform to the 2020 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

Accounting Pronouncements Issued but Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Accounting for Leases*, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statements of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The FASB issued ASU 2020-05, which deferred the effective date until annual periods beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

4. Revenue from Contracts with Customers

Service Revenue

HeartShare and Affiliates receive funding from Medicaid, New York City, and New York State agencies through fees and government grants. Revenue is reported at the amount that reflects the consideration to which HeartShare and Affiliates expect to be entitled in exchange for providing the contracted services. These amounts are due from third-party payors (including government programs) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, HeartShare and Affiliates bill the third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by HeartShare and Affiliates. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. HeartShare and Affiliates believe that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. HeartShare and Affiliates measure the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

Because all of its performance obligations relate to contracts with a duration of less than one year, HeartShare and Affiliates have elected to apply the optional exemption provided in FASB Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, are not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation.

HeartShare and Affiliates determine the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction prices is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency. HeartShare and Affiliates have determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and services provided. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Third-Party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors are as follows:

Medicaid - Reimbursements for Medicaid services are generally paid for each type of service provided.

Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per established charges and prospectively determined daily rates. Certain of these rates are subject to final settlement and determined after submission of annual cost reports by HeartShare and Affiliates.

Private Pay – Agreements with customers typically provide for payments at established charges.

Significant Judgements

Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge HeartShare and Affiliates' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon HeartShare and Affiliates. Revenues and receivables arising from the programs are dependent upon final audit and negotiations between HeartShare and Affiliates and various third parties. As of June 30, 2020 and 2019, an allowance for potential rate adjustments of $5,296,697 and $3,698,375, respectively, has been included in these consolidated financial statements.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and HeartShare and Affiliates' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

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Revenue Composition and Reimbursement Method

The composition of revenue by payor is as follows:

June 30, 2020

	Boarding Home	Medical and AIDS Services	Residence Program	Prevention	Education	Respite	Day Programs	Clinical Services	Total
Medicaid	$ -	$ 3,380,312	$ 41,796,816	$ -	$ -	$ 603,478	$ 25,286,841	$ 1,419,011	$ 72,486,458
Medicare	-	68,091	-	-	-	-	-	-	68,091
OPWDD	-	-	3,839,108	-	-	162,718	-	-	4,001,826
New York City governmental agencies	14,847,332	-	11,798,569	8,472,565	20,185,760	-	-	-	55,304,226
New York State Department of Health	-	-	-	-	204,432	-	-	-	204,432
OMH	-	(60,246)	6,456,787	-	-	-	-	-	6,396,541
Managed Care	-	1,491,928	-	-	-	-	-	-	1,491,928
SNAP	-	-	787,670	-	-	-	-	-	787,670
Other	179,266	134,170	-	88,160	-	-	-	-	401,596
Total	$ 15,026,598	$ 5,014,255	$ 64,678,950	$ 8,560,725	$ 20,390,192	$ 766,196	$ 25,286,841	$ 1,419,011	$ 141,142,768

Per diem	$ 132,582,043
Per contract	8,560,725
	$ 141,142,768

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HeartShare Human Services of New York and Affiliates

Notes to Consolidated Financial Statements

June 30, 2019

	Boarding Home	Medical and AIDS Services	Residence Program	Prevention	Education	Respite	Day Programs	Clinical Services	Children Community Residence	Other Programs	Total
Medicaid	$ -	$ 2,925,010	$ 39,861,907	$ -	$ -	$ 820,105	$ 26,167,291	$ 3,328,319	$ -	$ -	$ 73,102,632
Medicare	-	41,303	-	-	-	-	-	-	-	-	41,303
OPWDD	-	-	3,654,924	-	-	195,082	-	-	-	-	3,850,006
New York City governmental agencies	15,800,632	-	9,263,292	7,437,290	18,782,875	-	-	-	-	-	51,284,089
New York State Department of Health	-	-	-	-	30,019	-	-	-	-	-	30,019
OMH	-	159,549	979,793	-	-	-	-	-	2,841,515	-	3,980,857
Managed Care	-	1,469,806	3,077,164	-	-	23,659	670,255	-	-	-	5,240,884
SNAP	-	-	717,060	-	-	-	-	-	-	-	717,060
SSI	-	-	3,593,672	-	-	-	-	-	-	-	3,593,672
Private	-	92,034	134,505	-	-	-	94,778	-	100,543	-	421,860
Other	70,563	6,683	10,642	167,073	-	5,468	-	-	-	292,564	552,993
	$ 15,871,195	$ 4,694,385	$ 61,292,959	$ 7,604,363	$ 18,812,894	$ 1,044,314	$ 26,932,324	$ 3,328,319	$ 2,942,058	$ 292,564	$ 142,815,375

Per diem	$ 131,871,607
Per contract	3,339,405
	$ 135,211,012

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Financing Component

HeartShare and Affiliates have elected the practical expedient allowed under FASB ASC 606-10-32-18 and do not adjust the promised amount of consideration from customers for the effects of a significant financing component due to HeartShare and Affiliates' expectation that the period between the time the service is provided to a customer and the time a third-party payor pays for that service will be one year or less.

Contract Costs

HeartShare and Affiliates have applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that HeartShare and Affiliates otherwise would have recognized is one year or less in duration.

5. Distribution Receivable

Distribution receivable are discounted using a 3% discount rate and are due as follows:

June 30,	**2020**	2019
Current	**$ 720,000**	$ 720,000
Two to five years	**2,340,000**	3,060,000
	3,060,000	3,780,000
Discount on pledges	**(190,407)**	(286,676)
	$ 2,869,593	$ 3,493,324

As of June 30, 2020 and 2019, the distribution receivable in the amount of $3,060,000 and $3,780,000, respectively, was from the Foundation. This will be funded through part of the proceeds of a 99-year land lease held by the Foundation.

6. Beneficial Interest in Perpetual Trust

HSVS has been named as an irrevocable beneficiary of a perpetual trust held and administered by independent trustees. Perpetual trust provides for the distribution of the net income of the trust to HSVS; however, HSVS will never receive the assets of the trust.

At the date HSVS receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statements of activities. A beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trust are reported at the fair value of the trust's assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

The estimated value of the expected future cash flows is $38,550 and $44,765, which represents the fair value of the trust assets at June 30, 2020 and 2019, respectively. The loss from this trust for 2020 and 2019 was $6,215 and $4,291, respectively.

7. Interest in Net Assets of The William M. Casey Foundation, Inc.

HSVS and the Foundation are financially interrelated organizations. As described in Note 12, the Foundation is a real estate holding company exempt under the Internal Revenue Code section 501(c)(2).

HSVS's interest in the net assets of the Foundation is accounted for in a manner similar to the equity method. Changes in the interest are included in change in net assets. Transfers of assets between the Foundation and HSVS are recognized as increases or decreases in the interest in the net assets of the Foundation with corresponding decreases or increases in the assets transferred and have no effect on change in net assets.

HSVS's interest in the net assets of the Foundation was $9,996,144 and $8,249,665 at June 30, 2020 and 2019, respectively. This interest includes all the net assets that donors have stipulated should be used for HSVS.

8. Due from Metro Community Health Centers, Inc.

During 2016, Wellness transferred its medical clinic license, pursuant to Article 28 of the Public Health Law, to Metro Community Health Centers, Inc., an unrelated not-for-profit organization. Additionally, pursuant to an asset sale agreement, on August 29, 2016, Wellness (seller) sold certain assets with a net book value of $1,234,050 to Metro Community Health Centers, Inc. In connection with this sale, Wellness recorded a gain of $220,252. As part of the agreement, Wellness accepted a note evidencing a loan receivable in the amount $1,454,302. The loan bears interest at an annual rate of 5.5% payable monthly over eight years. As of June 30, 2020 and 2019, a total of $888,311 and $1,130,568, respectively, on the loan was outstanding.

Additionally, Wellness agreed to lease certain employees, provide contracted staff, rental space, and other costs to the same unrelated not-for-profit organization. The sublease agreement expires in May 2024. As of June 30, 2020 and 2019, $463,215 and $469,312, respectively, was due under this arrangement.

During 2020 and 2019, Wellness recorded rental income in the amount of $138,626 and $131,703, respectively.

The loans receivable and other amounts are due as follows:

Year ending June 30,	
2021	$ 182,703
2022	193,012
2023	203,897
2024	215,400
2025	93,299
	$ 888,311

Rental income to be received is as follows:

Year ending June 30,		
2021	$	525,462
2022		541,226
2023		557,462
2024		526,338
	$	2,150,488

9. Property and Equipment

Property and equipment consist of:

June 30,		2020		2019
Land	$	**7,039,545**	$	6,489,545
Buildings		**26,632,825**		24,224,950
Transportation equipment		**130,087**		131,824
Furniture and equipment		**10,922,691**		11,230,907
Leasehold improvements		**34,593,859**		30,098,975
Construction in progress		**821,566**		3,442,158
		80,140,573		75,618,359
Less: accumulated depreciation and amortization		**(48,518,126)**		(45,147,697)
	$	**31,622,447**	$	30,470,662

10. Debt Service Reserve

Under the terms of the Dormitory Authority of the State of New York (DASNY) mortgages, HeartShare was required to deposit with the Medical Care Facilities Financing Agency (MCFFA) amounts to be held in reserve, which will be withdrawn to satisfy the remaining installments on the DASNY mortgages. The balance of the reserve fund as of June 30, 2020 and 2019 consists of cash of $54,806. This amount is included in other current assets on the consolidated statements of financial position.

11. Due to Government Agencies

HeartShare and Affiliates receive funding from various government agencies, including the New York State OPWDD, the New York State OMH, the Center for Medicaid Services (CMS), the New York City Department of Mental Health and Hygiene (DMHH), New York City Department of Education, and New York State Education Department. These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Health's Independent Office of Medicaid Inspector General (OMIG), the New York Office of Alcoholism & Substance Abuse Services (OASAS), the New York City Human Resources Administration and other agencies, have the right to audit fiscal, as well as programmatic, compliance of HeartShare and Affiliates.

Due to New York City and New York State

HeartShare entered into contracts with OPWDD for the operation of two Children Residential ICF Programs, 48 IRAs, 33 supportive IRA apartments, and 12-day habilitation programs. As part of these agreements, OPWDD issued a PPA agreeing to reimburse capital costs within the rate to HeartShare for preoperational start-up costs, equipment, renovations, lease costs, real estate taxes and operations.

As of June 30, 2020 and 2019, HeartShare had accrued a liability in the amount of $5,046,261 and $6,951,882, respectively, for OPWDD advances, day habilitation recoupments, and the effects of new ICF reimbursement methodology.

As of June 30, 2020 and 2019, an estimated liability for HeartShare in the amount of $501,000 has been included in these consolidated financial statements for erroneous collection of food stamps receipts by certain consumers. These monies should not have been collected and are in the process of being refunded to the funding source.

The total amount due to New York State by HeartShare for these advances, liabilities and accrued interest was $5,547,261 and $7,452,882 at June 30, 2020 and 2019, respectively. During 2018, HeartShare entered into an agreement to repay a total of $5,183,974 based on weekly recoupments through April 2021.

As of June 30, 2020 and 2019, HSVS has due to government agencies of $7,615,602 and $10,701,886, respectively, which has been included in these consolidated financial statements, which consist of the following:

- HSVS entered into an agreement with New York City ACS to repay an original amount of $2,586,373 over 30 years (ending in 2046) at a rate of $7,185 per month. As of June 30, 2020 and 2019, the outstanding amount was $2,420,969 and $2,357,188, respectively.
- OMIG has audited the chemical dependency and clinic programs for HSVS. Formal findings have been communicated and a liability of $1,959,185 and $2,921,212 has been recorded in these consolidated financial statements as of June 30, 2020 and 2019, respectively.
- The remaining amounts of $3,235,448 and $5,423,486 as of June 30, 2020 and 2019, respectively, are related to New York City related foster care and group homes programs.

OMIG and the New York State OPWDD audited HeartShare's home and community-based waiver services Medicaid billing. A preliminary report has been issued, which HeartShare has provided comprehensive written responses. At June 30, 2020, HeartShare has recognized a liability of $3,235,448 based on the draft report and are waiting a final determination. No further information was received from OMIG or OPWDD in regard to the responses.

As of the date of this report, audits performed by New York City have been completed through June 30, 2014 and final reimbursement rates have been determined. Recoupments are made by reducing current payments for services provided.

The Office of State Comptroller performed an audit of HeartShare's Consolidated Fiscal Reports (CFR) for the years ended June 30, 2012, 2013 and 2014. The purpose of the audit was to determine if HeartShare's CFRs were properly calculated, adequately documented and allowable under the State Educational Department's Reimbursable Cost Manual. HeartShare received the final audit report on October 24, 2017. The audit results will not have a significant impact on HeartShare's financial position.

Due from/to New York City Department of Education

HEC has agreed to the final reconciliation for tuition years through 2016 with the New York City DOE. These amounts are included in accounts receivable at June 30, 2020 and 2019.

In addition, HEC has received overpayments from the DOE for certain students. These amounts are included in due to government agencies and will be recouped from future tuition payments.

12. Related-Party Transactions

The Foundation is a tax-exempt entity under Section 501(c)(2). The Foundation is a real estate holding corporation for the purpose of supporting HSVS by holding title or leases to property to be leased, rented, subleased or otherwise made available to HSVS in its efforts to fulfill its mission statement, which may be amended from time to time.

The sole member of the Foundation is the Bishop of the Roman Catholic Diocese of Brooklyn, New York, and such membership shall not be terminated due to the death or resignation or expulsion of the person then holding such title but shall thereafter inure to the benefit of his successor.

HSVS rents office space and equipment from the Foundation through operating leases. Rent expense for the years ended June 30, 2020 and 2019 amounted to $1,563,261 and $1,556,143, respectively.

13. Long-Term Debt

	2020	2019
(A) Note payable - HSBC Bank, U.S.A.	$ **6,479,927**	$ 8,370,734
(B) Working capital line of credit - HSBC Bank, U.S.A.	**9,500,000**	1,000,000
(C) Capital expenditure line of credit - HSBC Bank, U.S.A.	**6,357,699**	3,587,750
(D) Mortgage payable (East 99th Street) - HSBC Bank, U.S.A.	**733,022**	793,020
(E) Mortgage payable (East 102nd Street) - HSBC Bank, U.S.A.	**814,782**	881,472
(F) Mortgage payable (East 66th Street) - HSBC Bank, U.S.A.	**553,995**	599,340
(G) Mortgage payable (168th Street) - HSBC Bank, U.S.A.	**676,458**	692,889
(H) Mortgage payable (Clermont Avenue) - HSBC Bank, U.S.A.	**507,379**	566,123
(I) Mortgage payable (East 29th Street) - HSBC Bank, U.S.A.	**218,574**	281,835
(J) Mortgage payable (153rd Avenue) - HSBC Bank, U.S.A.	**568,489**	579,367
(K) Mortgage payable (Clarke Avenue) - HSBC Bank, U.S.A.	**984,645**	1,004,526
(L) Mortgage payable (Avenue L) - HSBC Bank, U.S.A.	**741,131**	755,641
(M) Mortgage payable (120th Avenue) - HSBC Bank, U.S.A.	**1,199,215**	1,223,509
(N) HSVS note payable - HSBC Bank, U.S.A.	**2,962,006**	3,438,792
(O) HSVS note payable - DASNY	**1,967,101**	2,051,645
	34,264,423	25,826,643
Less:		
Unamortized debt issuance costs	**(635,615)**	(814,336)
Current maturities	**(17,794,115)**	(3,832,697)
	$ **15,834,693**	$ 21,179,610

(A) In June 2013, HeartShare entered into a loan agreement with HSBC Bank, U.S.A. As part of the loan agreement, HeartShare borrowed the following amounts and agreed to the repayment schedules and collateral terms. The original principal amount of $18,000,000 bears interest at a rate of 4.35% per annum and is payable in monthly installments until July 2023. The properties encumbered are the land and buildings located at various program sites.

(B) In October 2016, HeartShare and HSVS entered into a revolving loan agreement for working capital of up to $12,000,000. The line of credit is renewable annually in March and bears interest at London Inter-Bank Offered Rate (LIBOR) plus 2.7%, as amended in July 2018. The borrowings on the line of credit are expected to be converted into term loans in 2021. The interest rate was 3.25% and 5.27% as of June 30, 2020 and 2019, respectively. In December 2020, HeartShare converted one of the bridge loans under the revolving loan agreement in the amount of $1,000,000 to a permanent loan with HSBC bank, U.S.A. The loan bears interest rate of LIBOR plus 3% and is payable in $8,333 commencing in January 2021 until December 1, 2025. The loan is secured by property located in Howard Beach, New York.

(C) In June 2013, HeartShare entered into a bridge financing facility revolving loan agreement for capital expenditures of up to $7,000,000. The agreement was amended in July 2018 to increase the available line to $9,500,000 and modify the interest rate to prime rate. The line of credit is renewable annually in March. The line of credit is payable on demand. The interest rate was 3.25% and 5.5% as of June 30, 2020 and 2019, respectively.

Interest of $181,680 and $138,230 was capitalized for the years ended June 30, 2020 and 2019, respectively, relating to construction projects. Once the construction project is completed, the expenditures are converted to bridge loans and then to a permanent loan.

(D) In August 2014, HeartShare entered into a $1,040,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82% per annum and is payable in monthly installments of $8,127 until October 2024. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(E) In August 2014, HeartShare entered into a $1,156,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82% per annum and is payable in monthly installments of $9,034 until October 2024. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(F) In August 2014, HeartShare entered into a $786,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82% per annum and is payable in monthly installments of $6,142 until October 2024. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(G) In June 2017, HeartShare converted a bridge loan in the amount of $722,839 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.71% per annum and is payable to HSBC Bank, U.S.A. in monthly installments of $4,104 until November 2027. Payments commenced July 1, 2017. The loan is secured by property located in Springfield Gardens, New York.

(H) In July 2017, HeartShare converted a bridge loan in the amount of $672,853 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.66% per annum and is payable in monthly installments of $7,026 until July 2027. The loan is secured by property located in Brooklyn, New York.

(I) In August 2017, HeartShare converted a bridge loan in the amount of $392,365 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.26% per annum and is payable in monthly installments of $6,186 until August 2023. The loan is secured by property located in Brooklyn, New York.

(J) In November 2018, HeartShare converted a bridge loan in the amount of $583,694 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.51% per annum and is payable in monthly installments of $3,587 until June 2023. The loan is secured by property located in Howard Beach, New York.

(K) In December 2018, HeartShare converted a bridge loan in the amount of $1,012,000 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.17% per annum and is payable in monthly installments of $6,016 until January 2024. The loan is secured by property located in Staten Island, New York.

(L) In December 2018, HeartShare converted a bridge loan in the amount of $763,400 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.44% per annum and is payable in monthly installments of $4,659 until December 2028. The loan is secured by property located in Brooklyn, New York.

(M) In June 2019, HeartShare converted a bridge loan in the amount of $1,223,509 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.27% per annum and is payable in monthly installments of $6,641 until June 2024. The loan is secured by property located in Jamaica, New York.

(N) In October 2015, HSVS entered into a $5,000,000 term loan agreement with HSBC Bank, U.S.A for working capital purposes. Payments commenced December 1, 2015. Interest is charged at a fixed rate of 3.92% per year. The loan is based on a ten-year amortization but will be due in 59 monthly installments.

The balance of any principal outstanding on the $5,000,000 term loan has a maturity date of November 1, 2020. In December 2020, the $5,000,000 term loan was amended to revise monthly principal installments of $46,647 and interest at 1.00% above the prime rate or 3.00% above the LIBOR rate commencing on December 1, 2020.

(O) In December 2016, HSVS entered into a loan agreement with DASNY in the amount of $2,250,580 for the purpose of acquiring a building. Principal and interest are payable semiannually in the amount of $96,465. The loan matures on June 1, 2035. Interest is fixed at a rate of 5.3357% per year. The loan is secured by HSVS's revenue and furniture and equipment.

Aggregate annual maturities of long-term debt at June 30, 2020 are:

Year ending June 30,	
2021	$ 17,794,115
2022	3,196,600
2023	3,336,157
2024	1,440,418
2025	1,198,404
Thereafter	7,298,729
	$ 34,264,423

Interest expense on long-term debt was $1,473,052 and $1,165,517 for the years ended June 30, 2020 and 2019, respectively.

14. Operating Leases

HeartShare leases space under noncancelable operating leases at various locations. The annual rentals are subject to escalation agreements and periodic rate increases, which expire at various

dates through December 2029. Rental payments for the preschool program also include payments of principal and interest on the mortgage obtained by the landlord for site renovations. In addition, HeartShare currently leases space for its administrative offices. The lease terminates in May 2021.

Wellness leases space at various locations under lease agreements expiring between 2018 and 2028. HeartShare has guaranteed these leases.

HeartShare leases a facility, which it subleases to HEC for its program services. HEC is charged directly for the rent expense for their portion of the space so no elimination is necessary. The lease expired on June 30, 2018. In January 2018, HeartShare renewed its lease for an additional ten years commencing on July 1, 2018 with the expiration date of June 30, 2028.

HSVS leases space under noncancelable operating leases at various locations. The annual rentals are subject to escalation agreements and periodic rate increases, which expire on various dates through August 2026.

The HeartShare and HSVS operating leases are contingent upon the continuation of government funding.

The total rent expense for years ended June 30, 2020 and 2019 is $11,439,722 and $11,359,843, respectively.

Future minimum lease payments at June 30, 2020 were:

Year ending June 30,	
2021	$ 7,839,257
2022	5,543,947
2023	5,407,177
2024	4,559,039
2025	3,558,841
Thereafter	10,760,544
	$ 37,668,805

See Note 8 for details of the sublease to Metro Community Health Centers, Inc.

15. Pension and Other Postretirement Benefit Plans

Multiemployer Pension Plan

HeartShare and Affiliates contribute to a multiemployer defined benefit pension plan. The plan is administered by Catholic Federation of Social Service Agencies of Brooklyn and Queens (a separate unrelated organization.) The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If HeartShare and Affiliates choose to stop participating in some of its multiemployer plans, HeartShare and Affiliates may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

HeartShare and Affiliates' participation in this plan for the annual periods ended June 30, 2020 and 2019 is outlined below.

- Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2020 and 2019 is for the plan's year-end at June 30, 2019 and June 30, 2018, respectively.
- The zone status is based on information HeartShare and Affiliates received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone generally are less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded.
- The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) either is pending or has been implemented.

There have been no significant changes that affect the comparability of 2020 and 2019 contributions.

		Pension Protection Act Zone Status		FIP/RP Status	Contributions of HeartShare	
Pension Fund	EIN Number	2020	2019	Pending/ Implemented	2020	2019
Catholic Federation of Social Service Agencies of Brooklyn and Queens Defined Benefit Plan	26-4439481	**Yellow as of 6/30/2019**	Yellow as of 6/30/2018	None	**$ 2,679,410**	$ 2,547,504

As of June 30, 2020 and 2019, $0 and $1,369,444, respectively, was accrued and was recorded as part of accounts payable and accrued expenses on the consolidated statements of financial position.

Defined Contribution Plan

Effective July 1, 2014, HeartShare and Affiliates entered into the Catholic Federation of Social Service Agencies of Brooklyn and Queens Defined Contribution Pension Plan. The plan is a multiple-employer church plan. Contributions for eligible employees of HeartShare, Wellness, and HEC were made at the rate of 1% of participants' salaries for the years ended June 30, 2020 and 2019. Contributions for eligible employees of HSVS were made at the rate of 1% of participants' salaries for the years ended June 30, 2020 and 2019, respectively. Contribution expense for the years ended June 30, 2020 and 2019 was $550,607 and $585,148, respectively. As of June 30, 2020 and 2019, $30,700 and $106,533, respectively, was accrued and was recorded as part of accounts payable and accrued expenses on the consolidated statements of financial position.

Defined Benefit Pension Plan

HSVS had a defined benefit pension plan covering certain eligible employees. Plan benefits were generally based on the greater of an employee's accumulated cash balance plus interest or years of service and the employee's compensation during the last several years of employment. HSVS's funding policy was based on an actuarially determined cost method allowable under applicable regulations. The funds were invested in individual annuities. HSVS terminated the plan effective June 30, 2019 and all funds and liabilities have been paid out.

Defined Benefit Postretirement Health Care Plan

HeartShare has a noncontributory defined benefit postretirement health care plan covering all employees who meet the eligibility requirements. HeartShare has not funded the plan to date. HeartShare does not expect to contribute to the plan in 2020.

Estimated Future Benefit Payments

Shown below are expected benefit payments, which reflect expected future service for fiscal year:

June 30,		
2021	$	7,586
2022		7,729
2023		21,999
2024		28,884
2025		30,176
2026-2030		611,818

16. Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purpose:

June 30,		2020		2019
Subject to expenditure for specified purpose:				
Developmental disabilities programs	$	**11,729**	$	22,229
Preschool		**525,837**		502,249
Family and children's services		**-**		10,000
Scholarships		**-**		3,481
Memorial Fund		**9,629**		-
Mother Cabrini Grant		**187,500**		-
ArtShare Grant		**122,072**		-
American Dream Program		**17,329**		114,212
Family aid services		**56,371**		56,371
Smart Girls		**54,886**		54,886
Vocational training room		**10,000**		10,000
Other		**43,277**		43,277
		1,038,630		816,705
Subject to passage of time:				
Promises to give that are not restricted by donors but that are unavailable for expenditure until due:				
The William M. Casey Foundation Grant		**4,141,634**		4,765,365
Endowments:				
Subject to appropriation and expenditure when a specified event occurs:				
Restricted by donors for education programs		**115,661**		115,661
Not subject to spending policy or appropriation:				
Beneficial interest in perpetual trust		**38,550**		44,765
	$	**5,334,475**	$	5,742,496

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

June 30,		2020		2019
Expiration of time restrictions	$	**720,000**	$	720,000
Satisfaction of purpose restrictions:				
Developmental disabilities programs		**10,500**		-
American Dream Program		**210,148**		155,954
Family and children's services		**10,000**		-
Scholarships		**3,481**		-
Teacher Turnover Prevention Program		**17,120**		16,610
	$	**971,249**	$	892,564

HSVS holds $154,211 and $160,426 of endowment funds as of June 30, 2020 and 2019, respectively. This consists of a beneficial interest in perpetual trust of $38,550 and $44,765 as of June 30, 2020 and 2019, respectively, and other endowment funds of $115,661 as of June 30, 2020 and 2019, respectively. HSVS's endowment consists of donor-restricted endowment funds to support educational programs to clients of the agency who are currently in care or clients who have aged out of care.

17. Disclosures About Fair Value of Assets

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 – This level consists of quoted prices in active markets for identical assets.

Level 2 – This level consists of observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 – This level consists of unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

	Level 3			
		2020		2019
Beneficial interest in perpetual trust	$	**38,550**	$	44,765

HeartShare Human Services of New York and Affiliates

Notes to Consolidated Financial Statements

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2020. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Reconciliation

June 30,		2020		2019
Balance, beginning of year	$	**44,765**	$	49,056
Change in carrying value of trust		**(6,215)**		(4,291)
Balance, end of year	$	**38,550**	$	44,765

18. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

General Litigation

HeartShare and Affiliates are subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of HeartShare and Affiliates. Events could occur that would change this estimate materially in the near term.

Revenue and Receivable Concentrations

As of June 30, 2020 and 2019, substantially all of the outstanding accounts receivable are due from Medicaid through the New York State and New York City reimbursement systems.

As of June 30, 2020 and 2019, approximately 89% and 93%, respectively, of revenues is paid by Medicaid, New York State and New York City.

Cash

HeartShare and Affiliates have cash accounts in financial institutions that, from time to time, exceed the Federal Deposit Insurance Corporation limit. HeartShare and Affiliates have not experienced any losses in such accounts and management does not believe HeartShare and Affiliates are exposed to any significant credit risk.

19. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 comprise the following:

Financial assets:		
Cash	$	5,549,052
Accounts receivable, net		41,973,777
Distribution receivable		720,000
Financial Assets Available to Meet General Expenditures Within One Year	**$**	**48,242,829**

HeartShare and Affiliates receive contributions restricted by donors and consider contributions restricted for programs that are ongoing, major and central to their annual operations to be available to meet cash needs for general expenditures.

HeartShare and Affiliates manage their liquidity and reserve the following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. HeartShare and Affiliates forecast their future cash flows and monitor their liquidity.

20. Subsequent Events

HeartShare and Affiliates have evaluated all events or transactions that occurred after June 30, 2020 through December 23, 2020, the date the consolidated financial statements were available to be issued. During this period, there were no material subsequent events that required disclosure, other than the following:

HSVS and the Foundation have entered into an Amendment to the Restated and Amended Agreement of Affiliation, effective October 15, 2020. The agreement outlines the conveyance of all real property, with the exception of 66 Boerum Place, to HSVS Property Foundation, Ltd., an affiliate of HSVS. The Foundation's by-laws have been amended to reflect the appointment of directors to the Foundation's board to include: (1) one director elected by the members, and (2) four directors elected by HSVS. In addition, the amended by-laws include certain actions that require consent of the members.

Supplementary Information

HeartShare Human Services of New York and Affiliates

Consolidating Schedule of Financial Position

June 30, 2020

	HSHS	HSSV	Education	Wellness	Eliminations	Total
Assets						
Current Assets						
Cash	$ 3,712,656	$ 813,795	$ 231,611	$ 790,990	$ -	$ 5,549,052
Accounts receivable	22,280,091	17,845,418	1,549,655	298,613	-	41,973,777
Distribution receivable	-	720,000	-	-	-	720,000
Due from Metro Community Health Centers, Inc.	-	-	-	645,918	-	645,918
Due from Related Party	-	-	-	500,000	(500,000)	-
Prepaid expenses and other receivables	666,359	605,374	-	-	-	1,271,733
Security deposits	310,181	307,755	-	-	-	617,936
Other current assets	150,000	-	5,777	19,169	-	174,946
Total Current Assets	27,119,287	20,292,342	1,787,043	2,254,690	(500,000)	50,953,362
Due from The William M. Casey Foundation, Inc.	-	1,272,041	-	-	-	1,272,041
Distribution Receivable	-	2,149,593	-	-	-	2,149,593
Due from Metro Community Health Centers, Inc.	-	-	-	705,608	-	705,608
Due from Related Party	11,856,185	-	-	2,944,705	(14,800,890)	-
Beneficial Interest in Perpetual Trust	-	38,550	-	-	-	38,550
Interest in Net Assets of The William M. Casey Foundation, Inc.	-	9,996,144	-	-	-	9,996,144
Property and Equipment, Net	26,540,828	4,933,375	127,304	20,940	-	31,622,447
Other Noncurrent Assets	237,294	-	-	-	-	237,294
Total Assets	$ 65,753,594	$ 38,682,045	$ 1,914,347	$ 5,925,943	$ (15,300,890)	$ 96,975,039

HeartShare Human Services of New York and Affiliates

Consolidating Schedule of Financial Position

June 30, 2020

	HSHS	HSSV	Education	Wellness	Eliminations	Total
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	$ 5,757,994	$ 2,403,585	$ 13,338	$ 283,704	$ -	$ 8,458,621
Accrued salaries and vacations payable	5,821,852	2,028,385	156,926	84,821	-	8,091,984
Due to government agencies	2,689,662	2,653,633	219,878	-	-	5,563,173
Due to Related Party	-	500,000	-	-	(500,000)	-
Current portion of long-term debt	16,746,430	1,047,685	-	-	-	17,794,115
Other current liabilities	1,664,251	-	-	-	-	1,664,251
Total Current Liabilities	32,680,189	8,633,288	390,142	368,525	(500,000)	41,572,144
Long-Term Liabilities						
Deferred payroll taxes	509,710	205,169	24,516	3,719	-	743,114
Due to government agencies	2,879,888	4,961,969	588,149	-	-	8,430,006
Due to Related Party	-	13,213,961	1,586,929	-	(14,800,890)	-
Long-term debt	11,453,271	4,381,422	-	-	-	15,834,693
Post-retirement benefit obligation	518,610	-	-	-	-	518,610
Deferred rent liability	1,174,782	-	-	-	-	1,174,782
Allowance for potential rate adjustments	5,296,697	-	-	-	-	5,296,697
Total Long-Term Liabilities	21,832,958	22,762,521	2,199,594	3,719	(14,800,890)	31,997,902
Total Liabilities	54,513,147	31,395,809	2,589,736	372,244	(15,300,890)	73,570,046
Net Assets						
Without donor restrictions	10,383,680	2,818,528	(685,389)	5,553,699	-	18,070,518
With donor restrictions	856,767	4,467,708	10,000	-	-	5,334,475
Total Net Assets	11,240,447	7,286,236	(675,389)	5,553,699	-	23,404,993
Total Liabilities and Net Assets	$ 65,753,594	$ 38,682,045	$ 1,914,347	$ 5,925,943	$ (15,300,890)	$ 96,975,039

HeartShare Human Services of New York and Affiliates

Consolidating Schedule of Activities

Year ended June 30, 2020

	HSHS	HSSV	Education	Wellness	Eliminations	Total
Changes in Net Assets Without Donor Restrictions						
Operating Revenues, Gains and Other Support						
Contributions and bequests	$ 482,331	$ 3,499,451	$ 5,205	$ -	$ -	$ 3,986,987
Special events revenues	720,952	452,692	-	-	-	1,173,644
Direct costs of special events	(182,470)	(208,750)	-	-	-	(391,220)
Patient service revenues	-	-	-	1,312,389	-	1,312,389
Fees and grants from government agencies	88,753,606	46,845,258	4,124,893	106,622	-	139,830,379
Client fees	4,427,411	-	-	-	-	4,427,411
Other grants	-	-	-	-	-	-
Interest income	221,661	108,385	-	-	-	330,046
Other revenues	12,082,386	297,417	-	58,750	(5,517,710)	6,920,843
Rental income	-	-	-	138,626	-	138,626
Net assets released from restrictions	23,981	930,148	17,120	-	-	971,249
Total Revenues, Gains and Other Support	106,529,858	51,924,601	4,147,218	1,616,387	(5,517,710)	158,700,354
Expenses						
Program services:						
Boarding home	-	14,029,515	-	-	-	14,029,515
Medical services	-	6,327,189	-	-	-	6,327,189
Residence programs for the Developmentally Disabled	53,247,724	17,304,695	-	-	-	70,552,419
Prevention	-	7,951,304	-	-	-	7,951,304
Education	14,710,963	-	3,881,574	-	-	18,592,537
Respite	876,252	-	-	-	-	876,252
Energy programs	196,091	-	-	-	-	196,091
Day programs	21,219,300	-	-	-	-	21,219,300
Clinical services	-	-	-	1,074,578	-	1,074,578
American Dream program	-	604,470	-	-	-	604,470
Total Program Services	90,250,330	46,217,173	3,881,574	1,074,578	-	141,423,655

HeartShare Human Services of New York and Affiliates

Consolidating Schedule of Activities

Year ended June 30, 2020

	HSHS	HSSV	Education	Wellness	Eliminations	Total
Supporting services:						
Management and general	$ 16,045,333	$ 6,365,450	$ 453,010	$ 234,595	$ (5,517,710)	$ 17,580,678
Fundraising	387,363	300,697	-	-	-	688,060
Total Supporting Services	16,432,696	6,666,147	453,010	234,595	(5,517,710)	18,268,738
Total Expenses	106,683,026	52,883,320	4,334,584	1,309,173	(5,517,710)	159,692,393
Change in Net Assets, before other changes	(153,168)	(958,719)	(187,366)	307,214	-	(992,039)
Non-Operating Income (Expense)						
Loss on beneficial interest in perpetual trust	-	-	-	-	-	-
Change in unfunded post-retirement benefits	-	-	-	-	-	-
Change in interest in net assets of The William M. Casey Foundation, Inc.	-	1,746,479	-	-	-	1,746,479
Changes in Net Assets Without Donor Restriction	(153,168)	787,760	(187,366)	307,214	-	754,440
Changes in Net Assets with Donor Restrictions	-	-	-	-	-	-
Contributions and Bequests	342,789	209,534	-	-	-	552,323
Fees and Grants from Government Agencies	-	-	17,120	-	-	17,120
Loss on Beneficial Interest in Perpetual Trust	-	(6,215)	-	-	-	(6,215)
Net Assets Released	(23,981)	(930,148)	(17,120)	-	-	(971,249)
Changes in Net Assets with Donor Restrictions	318,808	(726,829)	-	-	-	(408,021)
Net Assets, beginning of year	11,074,807	7,225,305	(488,023)	5,246,485	-	23,058,574
Net Assets, end of year	$ 11,240,447	$ 7,286,236	$ (675,389)	$ 5,553,699	$ -	$ 23,404,993

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HeartShare Human Services of New York and Affiliates

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2019 and 2018

BKD
CPAs & Advisors

HeartShare Human Services of New York and Affiliates
June 30, 2019 and 2018

Contents

BKD
CPAs & Advisors

655 Third Avenue, Suite 1200 | New York, NY 10017-9115
212.867.4000 | Fax 212.867.9810 | bkd.com

Independent Auditor's Report

Board of Directors
HeartShare Human Services of New York and Affiliates
Brooklyn, New York

We have audited the accompanying consolidated financial statements of HeartShare Human Services of New York and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HeartShare Human Services of New York and Affiliates as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in *Note 1* to the consolidated financial statements, in 2019, HeartShare Human Services of New York and Affiliates adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), and ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.*

As discussed in *Note 20* to the consolidated financial statements, the 2018 consolidated financial statements have been restated.

Our opinion is not modified with respect to these matters.

BKD, LLP

New York, New York
November 27, 2019

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Financial Position

June 30, 2019 and 2018

	2019	2018 (Restated - Note 20)
Assets		
Current Assets		
Cash	$ 2,205,596	$ 5,691,225
Accounts receivable, net of 2018 allowance of $2,056,000	34,563,098	30,362,855
Distribution receivable	720,000	720,000
Due from Metro Community Health Centers, Inc.	711,569	823,677
Prepaid expenses and other receivables, net of 2018 allowance of $105,000	2,585,710	2,072,432
Security deposits	306,755	171,836
Other current assets	374,955	418,755
Total current assets	41,467,683	40,260,780
Due from The William M. Casey Foundation, Inc.	1,272,041	1,237,274
Distribution receivable	2,773,324	3,378,645
Due from Metro Community Health Centers, Inc.	888,311	1,061,260
Beneficial interest in perpetual trust	44,765	49,056
Interest in net assets of The William M. Casey Foundation, Inc.	8,249,665	7,249,480
Property and equipment, net	30,470,662	27,768,816
Other noncurrent assets	475,741	281,830
Total assets	$ 85,642,192	$ 81,287,141

See Notes to Consolidated Financial Statements

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Financial Position (Continued)

June 30, 2019 and 2018

	2019	2018 (Restated - Note 20)
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 5,474,928	$ 4,086,451
Accrued salaries and vacations payable	6,827,392	6,382,993
Due to government agencies	9,468,467	5,788,805
Current portion of long-term debt	3,832,697	3,666,441
Post-retirement benefit obligation	-	10,323
Allowance for potential rate adjustments	822,959	822,959
Other current liabilities	663,834	430,658
Total current liabilities	27,090,277	21,188,630
Long-Term Liabilities		
Due to government agencies	9,468,079	11,994,769
Long-term debt	21,179,610	19,475,132
Post retirement benefit obligation	518,610	563,337
Deferred rent liability	1,451,626	1,483,816
Allowance for potential rate adjustments	2,875,416	3,658,224
Total long-term liabilities	35,493,341	37,175,278
Total liabilities	62,583,618	58,363,908
Net Assets		
Without donor restrictions	17,316,078	16,688,762
With donor restrictions	5,742,496	6,234,471
Total net assets	23,058,574	22,923,233
Total liabilities and net assets	$ 85,642,192	$ 81,287,141

See Notes to Consolidated Financial Statements

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Activities

Years Ended June 30, 2019 and 2018

	2019			2018 (Restated - Note 20)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions and bequests	$ 3,564,523	$ 388,270	$ 3,952,793	$ 2,549,603	$ 1,527,531	$ 4,077,134
Special events revenues	1,838,405	-	1,838,405	1,169,390	23,358	1,192,748
Direct cost of special events	(630,863)	-	(630,863)	(573,379)	-	(573,379)
Patient service revenues (net of 2018 provision for bad debt of $311,877)	3,328,319	-	3,328,319	4,189,551	-	4,189,551
Fees and grants from government agencies	132,362,137	-	132,362,137	128,234,808	-	128,234,808
Client fees	4,163,546	-	4,163,546	3,480,296	-	3,480,296
Other grants	751,155	16,610	767,765	277,538	-	277,538
Interest income	112,957	-	112,957	118,516	-	118,516
Other revenues	4,598,434	-	4,598,434	3,201,340	-	3,201,340
Rental income	134,832	-	134,832	131,703	-	131,703
Net assets released from restrictions	892,564	(892,564)	-	917,764	(917,764)	-
Total revenues, gains and other support	151,116,009	(487,684)	150,628,325	143,697,130	633,125	144,330,255
Expenses						
Program services						
Boarding Home	19,546,971	-	19,546,971	20,249,067	-	20,249,067
Medical Services	5,257,219	-	5,257,219	5,623,841	-	5,623,841
AIDS Services	12,338	-	12,338	952,567	-	952,567
Residence Programs for the Developmentally Disabled	53,520,734	-	53,520,734	47,945,531	-	47,945,531
Prevention	6,899,942	-	6,899,942	6,552,528	-	6,552,528
Education	17,808,646	-	17,808,646	16,956,350	-	16,956,350
Respite	1,038,669	-	1,038,669	960,047	-	960,047
Energy Programs	189,503	-	189,503	170,151	-	170,151
Day Programs	22,505,199	-	22,505,199	22,210,642	-	22,210,642
Clinical Services	2,890,919	-	2,890,919	3,047,060	-	3,047,060
Children Community Residence	3,229,013	-	3,229,013	3,591,549	-	3,591,549
American Dream Program	468,823	-	468,823	312,552	-	312,552
Total program services	133,367,976	-	133,367,976	128,571,885	-	128,571,885

HeartShare Human Services of New York and Affiliates

Consolidated Statements of Activities (Continued)

Years Ended June 30, 2019 and 2018

	2019			2018 (Restated - Note 20)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses (continued)						
Supporting services						
Management and general	$ 17,439,036	$ -	$ 17,439,036	$ 15,249,761	$ -	$ 15,249,761
Fundraising	766,734	-	766,734	698,686	-	698,686
Total supporting services	18,205,770	-	18,205,770	15,948,447	-	15,948,447
Total expenses	151,573,746	-	151,573,746	144,520,332	-	144,520,332
Change in Net Assets Before Other Changes	(457,737)	(487,684)	(945,421)	(823,202)	633,125	(190,077)
Loss on beneficial interest in perpetual trust	-	(4,291)	(4,291)	-	(838)	(838)
Change in unfunded post retirement benefits	84,868	-	84,868	29,030	-	29,030
Change in interest in net assets of The William M. Casey Foundation, Inc.	1,000,185	-	1,000,185	311,037	-	311,037
Change in Net Assets	627,316	(491,975)	135,341	(483,135)	632,287	149,152
Net Assets, Beginning of Year, as Previously Reported	16,688,762	6,234,471	22,923,233	18,249,155	5,602,184	23,851,339
Adjustment Applicable to Prior Years	-	-	-	(1,077,258)	-	(1,077,258)
Net Assets, Beginning of Year, as Restated	16,688,762	6,234,471	22,923,233	17,171,897	5,602,184	22,774,081
Net Assets, End of Year	$ 17,316,078	$ 5,742,496	$ 23,058,574	$ 16,688,762	$ 6,234,471	$ 22,923,233

HeartShare Human Services of New York and Affiliates
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018 (Restated - Note 20)
Operating Activities		
Change in net assets	$ 135,341	$ 149,152
Items not requiring (providing) operating cash flows		
Depreciation and amortization	3,443,501	3,660,550
Amortization of debt issuance costs included in interest expense	170,469	149,335
Loss from disposal of property and equipment	110,594	-
Loss on beneficial interest in perpetual trust	4,291	838
Change in interest in net assets of The William M. Casey Foundation, Inc.	(1,000,185)	(311,037)
Post-retirement benefit obligation	(55,050)	(970)
Reserve for contingency	-	371,020
Bad debt expense	-	1,242,556
Changes in		
Accounts receivable	(4,200,243)	(3,218,822)
Distribution receivable	605,321	587,451
Due from Metro Community Health Centers, Inc.	285,057	888,897
Prepaid expenses and other receivables	(513,278)	(82,946)
Security deposits	(134,919)	8,067
Other current assets	43,800	21,308
Due from The William M. Casey Foundation, Inc.	(34,767)	(1,237,274)
Other noncurrent assets	(193,911)	(9,758)
Accounts payable and accrued expenses	1,388,477	(1,699,027)
Accrued salaries and vacations payable	444,399	881,980
Due to government agencies	1,152,972	(580,769)
Allowance for potential rate adjustments	(782,808)	66,614
Other current liabilities	233,176	(132,105)
Deferred rent liability	(32,190)	(51,186)
Net cash provided by operating activities	1,070,047	703,874

HeartShare Human Services of New York and Affiliates
Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2019 and 2018

	2019	2018 (Restated - Note 20)
Investing Activities		
Property and equipment acquisitions	$ (6,255,941)	$ (4,055,324)
Net cash used in investing activities	(6,255,941)	(4,055,324)
Financing Activities		
Proceeds from long-term debt	7,587,750	1,986,909
Principal payments on long-term debt	(5,668,963)	(2,640,178)
Debt issuance costs	(218,522)	(23,658)
Net cash provided by (used in) financing activities	1,700,265	(676,927)
Decrease in Cash	(3,485,629)	(4,028,377)
Cash, Beginning of Year	5,691,225	9,719,602
Cash, End of Year	$ 2,205,596	$ 5,691,225
Supplemental Cash Flows Information		
Interest paid, net of capitalized interest	$ 989,180	$ 1,213,945
Capital expenditure borrowings converted to term notes	$ 3,582,990	$ -

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

HeartShare Human Services of New York (HeartShare) operates programs in Brooklyn, Queens, and Staten Island, and was founded in 1914. HeartShare serves the community through children and family services, programs for persons of all ages with developmental disabilities and persons affected by HIV-AIDS. HeartShare is supported primarily by service fees paid by Medicaid, New York City and various New York State agencies, and government grants.

HeartShare Wellness, Ltd.'s (Wellness) services include Article 16 clinic services to provide evaluations and long-term therapies to individuals with intellectual and developmental disabilities (IDD), as well as a targeted case management program (Health Home) for those with chronic health/mental health conditions who also receive Medicaid. Wellness began operations on May 1, 2000. Wellness is supported primarily by patient service fees paid by Medicaid.

The members of Wellness are the Chairperson and President and CEO of HeartShare and one other person designated by the Chairperson of HeartShare.

HeartShare Education Center (dba The HeartShare School) (HEC) was granted a provisional charter by the New York State Education Department on July 26, 2006. Effective July 1, 2009, HEC's operations were segregated from HeartShare. HEC is approved by the New York State Education Department and the New York City Department of Education to educate children ages 5 to 21 diagnosed with autism and the spectrum disorders, as well as children diagnosed with mental retardation and other developmental disabilities. HEC focuses on the whole child and uses a combination of educational, behavioral and therapeutic approaches based on each child's unique needs. HEC is funded by the New York State Education Department through the New York City Department of Education and the New York State Department of Health. Additional support is provided through private donations and grants.

The members of HEC are the Chairperson and President and CEO of HeartShare and one other person designated by the Chairperson of HeartShare.

St. Vincent's Services, Inc. (dba HeartShare St. Vincent's Services) (HSVS) serves the community through the provision of foster boarding home services, educational services, medical and mental health care, group homes, and intermediate care services. HSVS is supported primarily by service fees paid by Medicaid, New York City and various New York State agencies, and government grants. HeartShare and HSVS formally affiliated in 2014.

The by-laws state that HSVS shall have only five (5) members: The Chairperson of HeartShare (unless otherwise so designated by the Board of Directors of HeartShare); the President and CEO of HeartShare (unless otherwise so designated by the Board of Directors of HeartShare); one (1) other person designated by the Board of Directors of HeartShare, the "Designee of HeartShare"; and one other person designated by the Board of Directors of The William M. Casey Foundation, Inc. (the Foundation), and, ex officio, the Bishop of The Roman Catholic Diocese of Brooklyn, New York, or his designee as so designated in writing by the Bishop.

During 2019, HSVS Property Foundation, Ltd. was formed as a 501(c)(2) organization holding title to certain properties of HSVS. HSVS is the sole member of HSVS Property Foundation, Ltd. As of June 30, 2019, there was no activity in HSVS Property Foundation, Ltd.

HeartShare is a member of the New York Integrated Network for Persons with Developmental Disabilities and Affiliate (the Network) which was founded on June 12, 2012 as a collaborative venture of successful and trusted service providers in New York State. The purpose is to become a sustainable network with an integrated system with multiple services and supports that will develop new and innovative models of care, utilize best practices, stabilize quality of services, and demonstrate effective and efficient delivery of care. On November 14, 2014, the Network was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3). The Network is a publicly supported organization as described in Internal Revenue Code Section 509(a). No consolidation is required as HeartShare is one of several members and has less than a 50 percent membership in the corporation.

Meaningful NY Initiatives for People with Disabilities, Inc. (MNY) was founded on July 7, 2014. The purpose is to support individuals with disabilities in developing skills that will enable them to enter and be successful in the workforce by providing services to the community. On March 9, 2015, MNY was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3). MNY is a publicly supported organization as described in Internal Revenue Code Section 509(a). Contributions to the Network have been expensed in these statements. No consolidation is required as HeartShare is one of several members and has less than a 50 percent membership in MNY.

Consolidation

The consolidated financial statements include the balances, activities and cash flows of HeartShare, Wellness, HEC, and HSVS. All material intercompany transactions and balances have been eliminated in consolidation.

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 and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

HeartShare Human Services of New York and Affiliates (HeartShare and Affiliates) record receivables based on the amount of consideration to which the organization expects to be entitled in exchange for services provided based on established rates. HeartShare and Affiliates perform individual credit risk assessments which evaluates the individual circumstances, abilities and intentions of each customer prior to providing the services. If subsequent to providing the services HeartShare and Affiliates become aware of customer-specific events, facts or circumstances indicating customers no longer have the ability or intention to pay the amount of consideration to which HeartShare and Affiliates expected to be entitled for providing the services, then the related receivable balances are written off as bad debt expense and reported in the statement of activities as other operating expenses.

Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances would consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at June 30, 2019.

Due from Metro Community Health Centers, Inc.

Included in due from Metro Community Health Centers, Inc. is a loan receivable which is recorded based on a signed loan agreement (see *Note 6*). Interest is accrued based on a rate specified in the loan agreement. In addition, a receivable has been recorded for operational costs incurred in the start up of the program. No allowance has been recorded at June 30, 2019 and 2018.

Beneficial Interest in Perpetual Trust

HSVS is a beneficiary of a perpetual trust held by another entity, as a trustee. HSVS' beneficial interest in this trust is recorded at the fair value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Items with a cost in excess of $500 for HeartShare, Wellness, and HEC, and $1,000 for HSVS, and an estimated useful life of greater than one year are capitalized. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the shorter of the term of the lease or the estimated useful life of the improvement.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	20 - 25 years
Transportation equipment	4 - 5 years
Furniture and equipment	3 - 15 years
Leasehold improvements	5 - 15 years

HeartShare capitalizes interest costs as a component of buildings, based on the weighted-average rates paid for long-term borrowing. Total interest incurred each year was:

	2019	2018
Interest costs capitalized	$ 138,230	$ 75,248
Interest costs charged to expense	1,165,517	1,185,300
Total interest incurred	$ 1,303,747	$ 1,260,548

Long-Lived Asset Impairment

HeartShare evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Debt Issuance Costs

Debt issuance costs are reflected as a reduction of the carrying amount of the related debt and are amortized on the straight-line basis over the term of the associated debt. Amortization of debt issuance costs is included in interest expense.

Contract Liability

A contract liability represents revenue that has been deferred for the funds advanced by various government agencies for HeartShare and Affiliates' contracts related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding sources for HeartShare and Affiliates' contracts for services not yet performed and are expected to be performed within the next fiscal year. There were no contract liabilities at June 30, 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Rental Income

Rental income is recognized based on the lease agreements. Leases are reflected on the straight-line basis. Accrued rental income is accrued when material.

Contributions and Bequests

Contributions and bequests are provided to HeartShare and Affiliates either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution and bequest is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on HeartShare and Affiliates overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Leases

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Operating lease payments are charged to rent expense. Rent expense is recorded on the straight-line basis over the term of the lease, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Income Taxes

HeartShare and Affiliates are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. HeartShare is a publicly supported organization as described in Section 509(a).

However, HeartShare and Affiliates are subject to federal income tax on any unrelated business taxable income. HeartShare and Affiliates file tax returns in the U.S. federal jurisdiction.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. These reclassifications had no effect on the change in net assets.

Changes in Accounting Principles

Revenue from Contracts with Customers

On July 1, 2018, HeartShare and Affiliates adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) using a modified retrospective method of adoption to all contracts with customers at July 1, 2018.

The core guidance in ASU 2014-09 is to recognize revenue to depict the provision of services to individuals with autism and other developmental disabilities in amounts that reflect the consideration to which HeartShare and Affiliates expect to be entitled in exchange for those services.

The amount to which HeartShare and Affiliates expect to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing the services.

Adoption of ASU 2014-09 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements. Because contracts are generally completed within a year, HeartShare and Affiliates use the actual transaction price rather than estimating variable consideration amounts for contracts completed during the year ending June 30, 2019.

Presentation of Financial Statements of Not-For-Profit Entities

In 2019, HeartShare and Affiliates adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets-those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets-unrestricted, temporarily restricted and permanently restricted.

Statement of Cash Flows

- HeartShare and Affiliates continue to use the indirect method of reporting to present operating cash flows.

Notes to the Financial Statements

- Expenses are reported by both nature and function in one location.
- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

These changes had no impact on previously reported total change in net assets.

Note 2: Revenue from Contracts with Customers

Service Revenue

HeartShare and Affiliates receive funding from Medicaid, New York City, New York State agencies through fees and government grants. Revenue is reported at the amount that reflects the consideration to which HeartShare and Affiliates expect to be entitled in exchange for providing the contracted services. These amounts are due from third-party payors (including government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, HeartShare and Affiliates bill the third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by HeartShare and Affiliates. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. HeartShare and Affiliates believe that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. HeartShare and Affiliates measure the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services to under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

Because all of its performance obligations relate to contracts with a duration of less than one year, HeartShare and Affiliates have elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation.

HeartShare and Affiliates determine the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction prices is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency. HeartShare and Affiliates have determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and services provided. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Third-Party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid: Reimbursements for Medicaid services are generally paid for each type of service provided.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provided organizations provide for payment using prospectively determined rates per established charges and prospectively determined daily rates. Certain of these rates are subject to final settlement and determined after submission of annual cost reports by HeartShare and Affiliates.

Private Pay

Agreements with customers typically provide for payments at established charges.

Significant Judgements

Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge HeartShare and Affiliates' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon HeartShare and Affiliates. Revenues and receivables arising from the programs are dependent upon final audit and negotiations between HeartShare and Affiliates and various third parties. As of June 30, 2019 and 2018, an allowance for potential rate adjustments of $3,698,375 and $4,481,183, respectively, has been included in these financial statements.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and HeartShare and Affiliates' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

Revenue Composition and Reimbursement Method

The composition of revenue by payor for the years ended June 30, 2019 is as follows:

	Boarding Home	Medical and AIDS Services	Residence Program	Prevention	Education	Respite	Day Programs	Clinical Services	Children Community Residence	Other Programs	Total
Medicaid	$ -	$ 2,925,010	$ 39,861,907	$ -	$ -	$ 820,105	$ 26,167,291	$ 3,328,319	$ -	$ -	$ 73,102,632
Medicare	-	41,303	-	-	-	-	-	-	-	-	41,303
OPWDD	-	-	3,654,924	-	-	195,082	-	-	-	-	3,850,006
New York City Governmental Agencies	15,800,632	-	9,263,292	-	18,782,875	-	-	-	-	-	43,846,799
New York State Department of Health	-	-	-	-	30,019	-	-	-	-	-	30,019
OMH	-	159,549	979,793	-	-	-	-	-	2,841,515	-	3,980,857
Managed Care	-	1,469,806	3,077,164	-	-	23,659	670,255	-	-	-	5,240,884
SNAP	-	-	717,060	-	-	-	-	-	-	-	717,060
SSI	-	-	3,593,672	-	-	-	-	-	-	-	3,593,672
Private	-	92,034	134,505	-	-	-	94,778	-	100,543	-	421,860
Other	70,563	6,683	10,642	-	-	5,468	-	-	-	292,564	385,920
Total Topic 606	15,871,195	4,694,385	61,292,959	-	18,812,894	1,044,314	26,932,324	3,328,319	2,942,058	292,564	135,211,012
Grants											
New York City government agencies	-	-	-	7,437,290	-	-	-	-	-	-	7,437,290
Other	-	-	-	167,073	-	-	-	-	-	-	167,073
	$ 15,871,195	$ 4,694,385	$ 61,292,959	$ 7,604,363	$ 18,812,894	$ 1,044,314	$ 26,932,324	$ 3,328,319	$ 2,942,058	$ 292,564	$142,815,375

Per Diem	$131,871,607
Per Contract	3,339,405
	$135,211,012

HeartShare' revenue is reimbursed on a per-diem and per-contract basis. Revenue of $135,211,012 for the year ended June 30, 2019 was recognized as the service transferred over time. Additionally, $7,604,363 represents grants from government agencies and are included on the statements of activities under fees and grants from government agencies.

Financing Component

HeartShare and Affiliates have elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from customers for the effects of a significant financing component due to HeartShare and Affiliates' expectation that the period between the time the service is provided to a customer and the time a third-party payor pays for that service will be one year or less.

Contract Costs

HeartShare and Affiliates have applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that HeartShare and Affiliates otherwise would have recognized is one year or less in duration.

Note 3: Distribution Receivable

Distribution receivable are discounted using a 3 percent discount rate and are due as follows:

	2019	2018
Current	$ 720,000	$ 720,000
Two to five years	3,060,000	3,600,000
Thereafter	-	180,000
	3,780,000	4,500,000
Discount on pledges	(286,676)	(401,355)
	$ 3,493,324	$ 4,098,645

As of June 30, 2019 and 2018, the distribution receivable in the amount of $3,780,000 and $4,500,000, respectively, was from The William M. Casey Foundation, Inc. (the Foundation). This will be funded through part of the proceeds of a 99-year land lease held by the Foundation.

Note 4: Beneficial Interest in Perpetual Trust

HSVS has been named as an irrevocable beneficiary of a perpetual trust held and administered by independent trustees. Perpetual trust provides for the distribution of the net income of the trusts to HSVS; however, HSVS will never receive the assets of the trusts.

At the date HSVS receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities. A beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

The estimated value of the expected future cash flows is $44,765 and $49,056, which represents the fair value of the trust assets at June 30, 2019 and 2018, respectively. The loss from this trust for 2019 and 2018 was $4,291 and $838, respectively.

Note 5: Interest in Net Assets of The William M. Casey Foundation, Inc.

HSVS and The William M. Casey Foundation, Inc. (the Foundation) are financially interrelated organizations. As described in *Note 10*, the Foundation is a real estate holding company exempt under the Internal Revenue Code section 501(c)(2).

HSVS' interest in the net assets of the Foundation is accounted for in a manner similar to the equity method. Changes in the interest are included in change in net assets. Transfers of assets between the Foundation and HSVS are recognized as increases or decreases in the interest in the net assets of the Foundation with corresponding decreases or increases in the assets transferred and have no effect on change in net assets.

HSVS' interest in the net assets of the Foundation was $8,249,665 and $7,249,480 at June 30, 2019 and 2018, respectively. This interest includes all the net assets that donors have stipulated should be used for HSVS.

Note 6: Due from Metro Community Health Centers, Inc.

During 2016, Wellness transferred its medical clinic license, pursuant to Article 28 of the Public Health Law, to Metro Community Health Centers, Inc., an unrelated not-for-profit organization. Additionally, pursuant to an asset sale agreement, on August 29, 2016, Wellness (seller) sold certain assets with a net book value of $1,234,050 to Metro Community Health Centers, Inc. In connection with this sale, Wellness recorded a gain of $220,252. As part of the agreement, Wellness accepted a note evidencing a loan receivable in the amount $1,454,302. The loan bears interest at an annual rate of 5.5 percent payable monthly over eight years. The payments were scheduled to begin in January 2017, however, due to cash flow issues, Wellness has agreed to defer collection until funds become available. As of June 30, 2019 and 2018, a total of $1,130,568 and $1,303,478, respectively, on the loan was outstanding.

Additionally, Wellness agreed to lease certain employees, provide contracted staff, rental space, and other costs to the same unrelated not-for-profit organization. The sublease agreement expires in May 2024. As of June 30, 2019 and 2018, $469,312 and $581,459, respectively, was due under this arrangement.

During 2019 and 2018, Wellness recorded rental income in the amount of $131,703 and $105,476, respectively.

HeartShare Human Services of New York and Affiliates
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The loans receivable and other amounts are due as follows:

2020	$ 711,569
2021	182,703
2022	193,012
2023	203,897
2024	215,400
Thereafter	93,299
	$ 1,599,880

Rental income to be received is as follows:

2020	$ 510,157
2021	525,462
2022	541,226
2023	557,462
2024	526,338
	$ 2,660,645

Note 7: Property and Equipment

Property and equipment at June 30, 2019 and 2018 consist of:

	2019	2018
Land	$ 6,489,545	$ 6,144,545
Buildings	24,224,950	24,631,245
Transportation equipment	131,824	140,122
Furniture and equipment	11,230,907	10,360,034
Leasehold improvements	30,098,975	28,682,570
Construction in progress	3,442,158	-
	75,618,359	69,958,516
Accumulated depreciation and amortization	(45,147,697)	(42,189,700)
	$ 30,470,662	$ 27,768,816

Note 8: Debt Service Reserve

Under the terms of the DASNY mortgages, HeartShare was required to deposit with the Medical Care Facilities Financing Agency (MCFFA) amounts to be held in reserve, which will be withdrawn to satisfy the remaining installments on the DASNY mortgages. The balance of the reserve fund as of June 30, 2019 and 2018 consists of cash of $230,899. This amount is included in deferred charges and other assets on the consolidated statement of financial position.

Note 9: Due to Government Agencies

HeartShare and Affiliates receive funding from various government agencies including the New York State Office for People with Developmental Disabilities (OPWDD), the New York State Office of Mental Health (OMH), the Center for Medicaid Services (CMS), the New York City Department of Mental Health and Hygiene (DMHH), New York City Department of Education, and New York State Education Department. These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Health's Independent Office of Medicaid Inspector General (OMIG), OASAS, New York City Human Resources Administration and other agencies have the right to audit fiscal, as well as programmatic compliance of HeartShare and Affiliates.

Due to New York City and New York State

HeartShare entered into contracts with OPWDD for the operation of eleven intermediate care facilities, nineteen individual residential alternatives, twenty-two supportive IRA apartments, and ten-day habilitation programs. As part of these agreements, OPWDD advanced funds to HeartShare for preoperational start-up costs, equipment, renovations, lease costs, real estate taxes and operations. HeartShare has agreed to pay back to OPWDD all of the above funds to the extent that such costs are reimbursed by Medicaid.

As of June 30, 2019 and 2018, HeartShare had accrued a liability in the amount of $6,951,882 and $6,881,739, respectively, for OPWDD advances, day habilitation recoupments, and the effects of new ICF reimbursement methodology.

As of June 30, 2019 and 2018, an estimated liability for HeartShare in the amount of $501,000 has been included in these consolidated financial statements for erroneous collection of food stamps receipts by certain consumers. These monies should not have been collected and are in the process of being refunded to the funding source.

The total amount due to New York State by HeartShare for these advances, liabilities and accrued interest was $7,452,882 and $7,382,739 at June 30, 2019 and 2018, respectively. During 2018, HeartShare entered into an agreement to repay a total of $5,183,974 based on weekly recoupments through April 2021.

As of June 30, 2019 and 2018, HSVS has due to government agencies of $10,701,886 and $9,684,162, respectively, has been included in these consolidated financial statements which consist of the following:

- HSVS entered into an agreement with New York City Administration for Children's Services to repay an original amount of $2,586,373 over 30 years (ending in 2046) at a rate of $7,185 per month. As of June 30, 2019 and 2018, the outstanding amount was $2,357,188 and $2,443,407, respectively.
- OMIG has audited the chemical dependency and clinic programs for HSVS. Formal findings have been communicated and a liability of $2,921,212 and $3,640,996 has been recorded in these consolidated financial statements as of June 30, 2019 and 2018, respectively.
- The remaining amounts of $5,423,486 and $3,599,759 as of June 30, 2019 and 2018, respectively, are related to New York City related foster care and group homes programs.

OMIG and the New York State Office for People with Developmental Disabilities audited HeartShare's home and community-based waiver services Medicaid billing. A preliminary report has been issued, which HeartShare has provided comprehensive written responses. At June 30, 2019, HeartShare has recognized a liability of $407,788 based on the draft report and are waiting a final determination. No further information was received from OMIG or OPWDD in regard to the responses.

As of the date of this report, audits performed by New York City (NYC) have been completed through June 30, 2014 and final reimbursement rates have been determined. Recoupments are made by reducing current payments for services provided.

The Office of State Comptroller performed an audit of HeartShare's Consolidated Fiscal Reports (CFR) for the years ended June 30, 2012, 2013 and 2014. The purpose of the audit was to determine if HeartShare's CFRs were properly calculated, adequately documented and allowable under the State Educational Department's Reimbursable Cost Manual. HeartShare received the final audit report on October 24, 2017. The audit results will not have a significant impact on HeartShare's financial position.

Due to Dormitory Authority of the State of New York

HeartShare has entered into loan agreements with the Dormitory Authority of the State of New York (DASNY) payable in annual installments until February 2019. The $108,663 and $216,356 due at June 30, 2019 and 2018, respectively, represent debt service payments on these loans not yet withheld from HeartShare's Medicaid payments.

Due From/To New York City Department of Education

HEC has agreed to the final reconciliation for tuition years through 2016 with the New York City Department of Education (DOE). These amounts are included in accounts receivable at June 30, 2019 and 2018.

In addition, HEC has received overpayments from the DOE for certain students. These amounts are included in the due to DOE and will be recouped from future tuition payments.

Note 10: Related-Party Transactions

The William M. Casey Foundation, Inc. is a tax-exempt entity under Section 501(c)(2). The Foundation is a real estate holding corporation for the purpose of supporting HSVS by holding title or leases to property to be leased, rented, subleased or otherwise made available to HSVS in its efforts to fulfill its mission statement, which may be amended from time to time.

The sole member of the Foundation is the Bishop of the Roman Catholic Diocese of Brooklyn, New York, and such membership shall not be terminated due to the death or resignation or expulsion of the person then holding such title but shall thereafter inure to the benefit of his successor.

HSVS rents office space and equipment from the Foundation through operating leases. Rent expense for the years ended June 30, 2019 and 2018 amounted to $1,556,143 and $1,548,683, respectively.

Note 11: Long-Term Debt

		2019	2018
A	Note payable - HSBC Bank, U.S.A.	$ 8,370,734	$ 10,180,940
B	Working capital line of credit - HSBC Bank, U.S.A.	1,000,000	-
C	Capital expenditure line of credit - HSBC Bank, U.S.A.	3,587,750	3,582,991
D	Mortgage payable (East 99th Street) - HSBC Bank, U.S.A.	793,020	850,260
E	Mortgage payable (East 102nd Street) - HSBC Bank, U.S.A.	881,472	945,097
F	Mortgage payable (East 66th Street) - HSBC Bank, U.S.A.	599,340	642,601
G	Mortgage payable (168th Street) - HSBC Bank, U.S.A.	692,889	709,100
H	Mortgage payable (Clermont Avenue) - HSBC Bank, U.S.A.	566,123	622,461
I	Mortgage payable (East 29th Street) - HSBC Bank, U.S.A.	281,835	342,569
J	Mortgage payable (153rd Avenue) - HSBC Bank, U.S.A.	579,367	-
K	Mortgage payable (Clarke Avenue) - HSBC Bank, U.S.A.	1,004,526	-
L	Mortgage payable (Avenue L) - HSBC Bank, U.S.A.	755,641	-
M	Mortgage payable (120th Avenue) - HSBC Bank, U.S.A.	1,223,509	-
N	Note payable - Dormitory Authority of the State of New York (DASNY)	-	2,625
O	HSVS Note payable - HSBC Bank, U.S.A.	3,438,792	3,897,360
P	HSVS Note payable - Dormitory Authority of the State of New York (DASNY)	2,051,645	2,131,852
		25,826,643	23,907,856
	Less unamortized debt issuance costs	(814,336)	(766,283)
	Less current maturities	(3,832,697)	(3,666,441)
		$ 21,179,610	$ 19,475,132

HeartShare Human Services of New York and Affiliates
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

(A) In June 2013, HeartShare entered into a loan agreement with HSBC Bank, U.S.A. As part of the loan agreement, HeartShare borrowed the following amounts and agreed to the repayment schedules and collateral terms. The original principal amount of $18,000,000 bears interest at a rate of 4.35 percent per annum and is payable in monthly installments until July 2023. The properties encumbered are the land and buildings located at various program sites.

(B) In October 2016, HeartShare and HSVS entered into a revolving loan agreement for working capital of up to $12,000,000. The line of credit is renewable annually in March and bears interest at LIBOR plus 2.75 percent, as amended in July 2018. The borrowings on the line of credit is expected to be converted into term loans in 2021. The interest rate was 5.27 percent and 6 percent as of June 30, 2019 and 2018, respectively.

(C) In June 2013, HeartShare entered into a bridge financing facility revolving loan agreement for capital expenditures of up to $7,000,000. The agreement was amended in July 2018 to increase the available line to $9,500,000 and modify the interest rate to prime rate. The line of credit is renewable annually in March. The line of credit is payable on demand. The interest rate was 5.5 percent and 6 percent as of June 30, 2019 and 2018, respectively.

Interest of $138,230 and $75,248 was capitalized for the years ended June 30, 2019 and 2018, respectively, relating to construction projects. Once the construction project is completed, the expenditures are converted to bridge loans and then to a permanent loan.

(D) In August 2014, HeartShare entered into a $1,040,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82 percent per annum and is payable in monthly installments of $8,127 until October 2029. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(E) In August 2014, HeartShare entered into a $1,156,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82 percent per annum and is payable in monthly installments of $9,034 until October 2029. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(F) In August 2014, HeartShare entered into a $786,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82 percent per annum and is payable in monthly installments of $6,142 until October 2029. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.

(G) In June 2017, HeartShare converted a bridge loan in the amount of $722,839 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.71 percent per annum and is payable to HSBC Bank, U.S.A. in monthly installments of $4,104 until November 2042. Payments commenced July 1, 2017. The loan is secured by property located in Springfield Gardens, New York.

(H) In July 2017, HeartShare converted a bridge loan in the amount of $672,853 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.66 percent per annum and is payable in monthly installments of $7,026 until July 2027. The loan is secured by property located in Brooklyn, New York.

(I) In August 2017, HeartShare converted a bridge loan in the amount of $392,365 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.26 percent per annum and is payable to in monthly installments of $6,186 until August 2023. The loan is secured by property located in Brooklyn, New York.

(J) In November 2018, HeartShare converted a bridge loan in the amount of $583,694 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.51 percent per annum and is payable to in monthly installments of $3,587 until June 2044. The loan is secured by property located in Howard Beach, New York.

(K) In December 2018, HeartShare converted a bridge loan in the amount of $1,012,000 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.17 percent per annum and is payable to in monthly installments of $6,016 until June 2044. The loan is secured by property located in Staten Island, New York.

(L) In December 2018, HeartShare converted a bridge loan in the amount of $763,400 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 5.44 percent per annum and is payable to in monthly installments of $4,659 until April 2044. The loan is secured by property located in Brooklyn, New York.

(M) In June 2019, HeartShare converted a bridge loan in the amount of $1,223,509 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.27 percent per annum and is payable to in monthly installments of $6,641 until October 2044. The loan is secured by property located in Jamaica, New York.

(N) HeartShare entered into a loan agreement with DASNY, a body corporate and politic of the State of New York, constituting a public benefit corporation, acting by and through its agent, the Commissioner of New York State Office for People with Developmental Disabilities. As part of the loan agreement, HeartShare borrowed the following amount and agreed to the repayment schedules and collateral terms. The loan bears interest at a rate of 6.41 percent per annum and is payable by HeartShare Human Services of New York to DASNY in semiannual installments until February 2019. The loan has been fully paid off as of June 30, 2019. The property encumbered is the land and building located in Maspeth, New York.

(O) In October 2015, HSVS entered into a $5,000,000 term loan agreement with HSBC Bank, U.S.A for working capital purposes. Payments commenced December 1, 2015. Interest is charged at a fixed rate of 3.92 percent per year. The loan is based on a 10-year amortization but will be due in 59 monthly installments.

The balance of any principal outstanding on the $5,000,000 term loan will be due on the maturity date which is November 1, 2020, or within one year of the issuance of these consolidated financial statements. HSVS does not anticipate having liquid funds available to make this balloon payment at its maturity date. As such, management intends to refinance the term loan prior to its maturity date.

(P) In December 2016, HSVS entered into a loan agreement with DASNY in the amount of $2,250,580 for the purpose of acquiring a building. Principal and interest are payable semiannually in the amount of $96,465. The loan matures on June 1, 2035. Interest is fixed at a rate of 5.3357 percent per year. The loan is secured by HSVS's revenue and furniture and equipment.

HeartShare Human Services of New York and Affiliates
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Aggregate annual maturities of long-term debt at June 30, 2019, are:

2020	$ 3,832,697
2021	9,017,909
2022	2,581,770
2023	2,700,490
2024	783,248
Thereafter	6,910,529
	$ 25,826,643

Interest expense on long-term debt was $1,165,517 and $1,185,300 for the years ended June 30, 2019 and 2018, respectively.

Note 12: Operating Leases

HeartShare leases space under noncancelable operating leases at various locations. The annual rentals are subject to escalation agreements and periodic rate increases, which expire at various dates through December 2029. Rental payments for the preschool program also include payments of principal and interest on the mortgage obtained by the landlord for site renovations. In addition, HeartShare currently leases space for its administrative offices. The lease terminates in May 2021.

Wellness leases space at various locations under lease agreements expiring between 2018 and 2028. HeartShare has guaranteed these leases.

HeartShare leases a facility, which it subleases to HEC for its program services. HEC is charged directly for the rent expense for their portion of the space so no elimination is necessary. The lease expired on June 30, 2018. In January 2018, HeartShare renewed its lease for an additional ten years commencing on July 1, 2018 with the expiration date of June 30, 2028.

HSVS leases space under noncancelable operating leases at various locations. The annual rentals are subject to escalation agreements and periodic rate increases, which expire on various dates through August 2026.

The HeartShare and HSVS operating leases are contingent upon the continuation of government funding.

The total rent expense for years ended June 30, 2019 and 2018 is $11,359,843 and $10,524,856, respectively.

Future minimum lease payments at June 30, 2019 were:

2020	$ 10,555,448
2021	8,332,166
2022	6,730,022
2023	5,838,031
2024	4,546,935
Thereafter	17,449,544
Total	$ 53,452,146

See *Note 6* for details of the sublease to Metro Community Health Centers, Inc.

Note 13: Pension and Other Postretirement Benefit Plans

Multiemployer Pension Plan

HeartShare and Affiliates contribute to a multiemployer defined benefit pension plan. The plan is administered by Catholic Federation of Social Service Agencies of Brooklyn and Queens (a separate unrelated organization.) The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If HeartShare and Affiliates choose to stop participating in some of its multiemployer plans, HeartShare and Affiliates may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

HeartShare and Affiliates' participation in this plan for the annual periods ended June 30, 2019 and 2018 is outlined below.

- Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2019 and 2018 is for the plan's year-end at June 30, 2018, and June 30, 2017, respectively.
- The zone status is based on information HeartShare and Affiliates received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone generally are less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded.
- The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) either is pending or has been implemented.

There have been no significant changes that affect the comparability of 2019 and 2018 contributions.

Pension Fund	EIN Number	Pension Protection Act Zone Status 2019	Pension Protection Act Zone Status 2018	FIP/RP Status Pending/ Implemented	Contributions of HeartShare and Affiliates 2019	Contributions of HeartShare and Affiliates 2018
Catholic Federation of Social Service Agencies of Brooklyn and Queens Defined Benefit Plan	26-4439481	Yellow as of 6/30/2018	Yellow as of 6/30/2017	None	$ 2,547,504	$ 2,546,012

As of June 30, 2019 and 2018, $1,369,444 and $0, respectively, was accrued and was recorded as part of accounts payable and accrued expenses on the consolidated statements of financial position.

Defined Contribution Plan

Effective July 1, 2014, HeartShare and Affiliates entered into the Catholic Federation of Social Service Agencies of Brooklyn and Queens Defined Contribution Pension Plan. The Plan is a multiple-employer church plan. Contributions for eligible employees of HeartShare, Wellness, and HEC were made at the rate of 1 percent and 3 percent of participants' salaries for the years ended June 30, 2019 and 2018, respectively. Contributions for eligible employees of HSVS were made at the rate of 1 percent of participants' salaries for the years ended June 30, 2019 and 2018, respectively. Contribution expense for the years ended June 30, 2019 and 2018 was $585,148 and $1,140,568, respectively. As of June 30, 2019 and 2018, $106,533 and $292,500, respectively, was accrued and was recorded as part of accounts payable and accrued expenses on the statements of financial position.

Defined Benefit Pension Plan

HSVS had a defined benefit pension plan covering certain eligible employees. Plan benefits were generally based on the greater of an employee's accumulated cash balance plus interest or years of service and the employee's compensation during the last several years of employment. HSVS' funding policy was based on an actuarially determined cost method allowable under applicable regulations. The funds were invested in individual annuities. HSVS terminated the plan effective June 30, 2019 and all funds and liabilities have been paid out.

HSVS used a June 30 measurement date for the plan. Information about the plan's funded status for pension benefits as of June 30, 2018 is as follows:

	2018
Pension benefit obligation	$ (238,532)
Fair value of plan assets	99,912
Funded status	$ (138,620)

The net funded status liability was recognized in the consolidated statement of financial position and included as part of accrued salaries, vacation and pension payable as of June 30, 2018.

Information about the change in pension benefit obligations is as follows:

	June 30, 2018
Change in benefit obligations	
Beginning of year	$ (269,733)
Benefits paid	71,396
Interest cost	(18,881)
Actuarial gain (loss)	(21,314)
End of year	$ (238,532)

Information about the change in fair value of plan assets is as follows:

	June 30, 2018
Change in fair value of plan assets	
Beginning of year	$ 260,758
Actuarial return on plan assets	(89,450)
Benefits paid	(71,396)
End of year	$ 99,912

Components of net periodic benefit costs:

	June 30, 2018
Interest cost	$ (18,881)
Actual return of assets	(89,450)
Amounts arising during the period	
Net gain	102,705
Amounts reclassified as components of net periodic benefit cost of the period	
Net gain	6,228
Net periodic benefit cost	$ 602

Significant assumptions for pension benefits include:

	June 30, 2018
Weighted-average assumptions used to determine benefit obligations	
Discount rate	7.00%
Rate of compensation increase	5.00%
Weighted-average assumptions used to determine benefit costs	
Discount rate	7.00%
Rate of compensation increase	5.00%
Expected return on plan assets	7.00%

The expected rate of return on plan assets assumption of 7.0 percent was utilized as the best estimate for long-term asset performance based primarily on historical returns on plan assets.

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy.

At June 30, 2018, all of the plan's funds were invested in fixed annuity contracts and were classified as within the Level 2 hierarchy as disclosures for pricing methods are considered observable inputs.

Defined Benefit Postretirement Health Care Plan

HeartShare has a noncontributory defined benefit postretirement health care plan covering all employees who meet the eligibility requirements. HeartShare has not funded the plan to date. HeartShare does not expect to contribute to the plan in 2020.

HeartShare uses a July 1 measurement date for the plan. Information about the plan's funded status follows:

	2019	2018
Benefit obligation	$ (518,610)	$ (574,630)
Fair value of plan assets	-	-
Funded status	$ (518,610)	$ (574,630)

Assets and liabilities recognized in the statements of financial position:

	2019	2018
Noncurrent assets	$ -	$ -
Current liabilities	-	10,340
Noncurrent liabilities	518,610	564,290

Information about the change in benefit obligations is as follows:

	2019	2018
Benefit obligation at beginning of year	$ (573,660)	$ (574,630)
Service cost	(6,794)	(6,916)
Interest cost	(23,024)	(21,144)
Actuarial gain (loss)	84,868	29,030
	$ (518,610)	$ (573,660)

Other significant balances and costs are:

	2019	2018
Employer contributions	None	None
Participant contributions	None	None
Benefits paid	None	None
Net periodic benefit costs	$ 111,394	$ 144,809

Other changes in plan assets and benefit obligations recognized in change in net assets:

	2019	2018
Amounts arising during the period		
Net (gain) loss	$ 84,868	$ 29,030
Net prior service cost (credit)	6,794	6,916
Amounts reclassified as components of net periodic benefit cost of the period		
Net (gain) loss	81,576	116,749
Net prior service cost (credit)	None	None
Net transition (asset) obligation	None	None

The estimated net (gain) loss for the other defined benefit postretirement plans that will be amortized into net periodic benefit cost over the next fiscal year is $15,499.

Significant assumptions include:

	2019	2018
Weighted-average assumptions used to determine benefit obligations		
Discount rate	3.46%	4.05%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit costs		
Discount rate	4.05%	3.73%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A

For measurement purposes, a 4.75 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2019 and 2018, respectively. The rate was assumed to decrease gradually to 3.784 percent by the year 2075 and remain at that level thereafter.

Contributions	
Expected employer contribution to postretirement benefit plans net of employee contribution for fiscal year 2020	$ -
Estimated Future Benefit Payments	
Shown below are expected benefit payments, which reflect expected future service for fiscal year	
2020	$ -
2021	3,750
2022	7,737
2023	15,008
2024	26,228
2025-2029	166,704

Note 14: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purpose:

	2019	2018
Subject to expenditure for specified purpose		
Developmental disabilities programs	$ 22,229	$ 22,229
Preschool	502,249	502,249
Family and children's services	10,000	10,000
Scholarships	3,481	3,481
American Dream Program	114,212	19,666
Family aid services	56,371	56,371
Smart Girls	54,886	54,886
Vocational training room	10,000	10,000
Other	43,277	43,277
	816,705	722,159
Subject to passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due		
The William M. Casey Foundation Grant	4,765,365	5,347,595
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for education programs	115,661	115,661
Not subject to spending policy or appropriation		
Beneficial interest in perpetual trust	44,765	49,056
	$ 5,742,496	$ 6,234,471

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Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2019	2018
Expiration of time restrictions	$ 720,000	$ 720,000
Satisfaction of purpose restrictions		
American Dream Program	155,954	190,091
Teacher Turnover Prevention Program	16,610	7,673
	$ 892,564	$ 917,764

HSVS holds $160,426 and $164,717 of endowment funds as of June 30, 2019 and 2018, respectively. This consists of a beneficial interest in perpetual trust of $44,765 and $49,056 as of June 30, 2019 and 2018, respectively, and other endowment funds of $115,661 as of June 30, 2019 and 2018. HSVS's endowment consists of donor-restricted endowment funds to support educational programs to clients of the agency who are currently in care or clients who have aged out of care.

Note 15: Functional Expenses

The costs of providing HeartShare and Affiliates' services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on the job responsibility, square footage, and other methods.

Program services are summarized as follows:

Boarding Home: The Boarding Home Program is funded by the City of New York through the Administration for Children's Services (ACS). ACS places abused and neglected children with contracted agencies that provide the children with foster homes and services. ACS pays a per diem rate to the agency.

Medical Services: The children in foster care receive general medical care through Medicaid. Medicaid is funded 50 percent by the Federal Government and 50 percent by New York State. Based on the different types of programs, the agency receives various per diem rates. The Out Patient Clinic (OPC) serves adult clients who struggle with mental health issues. This program is funded by the New York State Office of Mental Health (OMH). The Chemical Dependency program serves adult clients with substance abuse issues.

AIDS Services: The AIDS Residential Housing Program is funded by the City of New York through the Human Resources Administration's HIV/AIDS Services Administration

(HRA/HASA). This program provided housing and support services for adults with advanced HIV/AIDS. This program closed on June 30, 2018.

Residence Programs for the Developmentally Disabled: Intermediate Care Facilities (ICF) operated by certification from the Office for People with Developmental Disabilities (OPWDD) with a capacity of up to 30 beds to provide active programming, room and board, and continuous 24-hour per day supervision. The supervised Individual Residential Alternative (IRA), which provides 24-hour supervised care, and the Supportive IRA where the consumer receives services in a more independent setting is a community-based group living arrangement that provides room, board and individualized protective oversight. They are designed to provide a home environment and a setting where persons can acquire the skills necessary to live as independently as possible. The residence programs are certified by OPWDD. The Community Habilitation services are residential habilitation services that are provided to individuals who do not reside in a residence which is certified or operated by OPWDD. Residential Habilitation also may include program-related personal care, health care and protective oversight and supervision. Medicaid Service Coordination is a case management program emphasizing an individual's choice. It requires providers to assist the individual in acquiring services that best serve the individual. Residence programs serve adult clients referred from local hospitals who struggle with substance abuse and mental health issues. Residents are connected to support services, such as mental health and drug treatment programs, to help them become self-sufficient. Residence programs, coupled with such services, provide an affordable, safe and permanent place to live for people facing homelessness. In addition to allowing tenants to build their independence and become part of a community, this type of program reduces long-term costs to the city and state, such as for psychiatric inpatient care and emergency rooms.

Prevention: The Prevention Programs are funded by the City of New York. Three of the programs are funded through ACS with contracted services provided to 296 families. The other program is funded through the Department of Youth and Community Development (DYCD) with contracted services provided to 105 families. These programs are community-based family service centers that help families find healthy ways to resolve problems and avoid conflicts and crisis. The goal is to help these families stay together and keep the children out of foster care. ACS and DYCD reimburse the agency for qualifying expenses.

Education: The Education Programs are for children who are diagnosed as learning disabled. Disabilities can range from mild to severe. Clinical services are required for the programs. The program is funded by New York State Education Department through New York City Department of Education. The two Beacon Programs, the Out Of School Time Program, the New York City Housing Authority (NYCHA) Community Program and the two Cornerstone Programs are funded by the City of New York through Department of Youth and Community Development (DYCD). These programs provide recreational and educational activities for community residents of all ages. DYCD reimburses the agency for qualifying expenses.

Respite: Provides an array of services that support families in maintaining their family members with disabilities at home or at site.

Energy Programs: Grants are funded through contributions by Con Edison, Entergy, National Grid, NYSEG, RGE, foundations, corporations, and generous individuals. HeartShare

administers the program that helps over 5,000 families stay warm in the winter and cool in the summer.

Day Programs: The Day Programs provide individuals with training in self-care and independent living skills. The programs also offer occupational, physical and speech therapy services. The staff also assists families with residential living plans for their relatives with developmental disabilities. Each facility offers services for individuals based on levels of disability.

Children Community Residence: This program is funded by OMH to provide thirty-two youngsters residing at four locations, each with various services such as daily living, social skills, behavioral management, crisis management, family support and therapeutic recreation.

American Dream Program: This program is funded by contributions used to provide and assist with the finest educational opportunities for clients who are still in care or those who have aged out of care.

Clinical Services: This program includes Article 16 clinic services which provide evaluations and long- term therapies to individuals with intellectual and developmental disabilities (IDD), as well as a targeted case management program (Health Home) for those with chronic health/mental health conditions who also receive Medicaid.

HeartShare Human Services of New York and Affiliates

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	2019							
	Salaries, Payroll Taxes, and Employee Benefits	Transportation	Professional Fees and Contract Service Payments	Occupancy	Interest	Depreciation	Other	Total
Program Services								
Boarding Home	$ 8,921,445	$ 247,813	$ 1,422,870	$ 1,435,233	$ 123,230	$ 319,294	$ 7,077,086	$ 19,546,971
Medical Services	3,076,284	64,603	987,439	537,163	58,125	83,696	449,909	5,257,219
AIDS Services	7,494	-	978	-	1,707	-	2,159	12,338
Residence Programs for the Developmentally Disabled	37,170,889	355,345	1,643,966	5,195,168	742,761	2,050,043	6,362,562	53,520,734
Prevention	5,853,845	42,037	112,391	319,491	2,011	14,089	556,078	6,899,942
Education	15,014,377	45,049	214,934	1,392,527	14,316	170,451	956,992	17,808,646
Respite	728,764	21,712	25,006	55,637	13,756	27,373	166,421	1,038,669
Energy Programs	138,061	859	-	9,407	615	2,813	37,748	189,503
Day Programs	11,003,826	5,527,248	506,021	3,694,421	57,766	306,354	1,409,563	22,505,199
Clinical Services	1,950,686	20,184	204,918	323,754	-	15,906	375,471	2,890,919
Children Community Residence	2,321,407	48,563	108,835	50,348	118,438	217,725	363,697	3,229,013
American Dream Program	167,727	50,518	32,929	-	-	-	217,649	468,823
Total program services	86,354,805	6,423,931	5,260,287	13,013,149	1,132,725	3,207,744	17,975,335	133,367,976
Support Services								
Management and general	12,207,744	45,081	2,381,637	1,089,701	31,972	232,774	1,450,127	17,439,036
Fundraising	364,665	4,977	153,681	15,214	820	2,983	224,394	766,734
Direct costs of special events	-	-	-	38,128	-	-	592,735	630,863
Total support services	12,572,409	50,058	2,535,318	1,143,043	32,792	235,757	2,267,256	18,836,633
Less direct costs of special events	-	-	-	(38,128)	-	-	(592,735)	(630,863)
Total expenses	$ 98,927,214	$ 6,473,989	$ 7,795,605	$ 14,118,064	$ 1,165,517	$ 3,443,501	$ 19,649,856	$ 151,573,746

	2018							
	Salaries, Payroll Taxes, and Employee Benefits	Transportation	Professional Fees and Contract Service Payments	Occupancy	Interest	Depreciation	Other	Total
Total expenses	$ 93,549,927	$ 6,484,384	$ 11,490,173	$ 12,768,296	$ 1,185,300	$ 3,660,550	$ 15,381,702	$ 144,520,332

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Note 16: Disclosures About Fair Value of Assets

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

	Level 3	
	2019	2018
Beneficial interest in perpetual trust	$ 44,765	$ 49,056

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of securities are the responsibility of the Controller's office. The Controller's office contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Controller's office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

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Level 3 Reconciliation

	2019	2018
Balance, beginning of year	$ 49,056	$ 49,894
Change in carrying value of trust	(4,291)	(838)
Balance, end of year	$ 44,765	$ 49,056

Note 17: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

General Litigation

HeartShare and Affiliates are subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of HeartShare and Affiliates. Events could occur that would change this estimate materially in the near term.

Postretirement Benefit Obligations

HeartShare has a postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Revenue and Receivable Concentrations

As of June 30, 2019 and 2018, substantially all of the outstanding accounts receivable are due from Medicaid through the New York State and New York City reimbursement systems.

As of June 30, 2019 and 2018, approximately 93 percent and 94 percent, respectively, of revenues is paid by Medicaid, New York State and New York City.

Cash

At June 30, 2019, HeartShare and Affiliates' cash accounts exceeded federally insured limits by approximately $2,913,000.

Note 18: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 comprise the following:

Financial assets	
Cash	$ 2,205,596
Accounts receivable, net	34,563,098
Distribution receivable	720,000
Total financial assets	37,488,694
Donor-imposed restrictions	
Restricted funds	(1,267,959)
Net financial assets after donor-imposed restrictions and available to meet general expenditures within one year	$ 36,220,735

HeartShare and Affiliates receive significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

HeartShare and Affiliates manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. HeartShare and Affiliates forecast its future cash flows and monitors its liquidity.

Note 19: Subsequent Events

Subsequent events have been evaluated through November 27, 2019, which is the date the consolidated financial statements were issued. Subsequent to year-end, HeartShare Wellness, Ltd. transferred a targeted case management program (Health Home) to HSVS.

Note 20: Restatement of Prior Years' Financial Statements

The 2018 consolidated financial statements have been restated to correct previous reporting errors including the recognition of deferred rent liability and the corresponding straight-line rent adjustment. The adjustment relating to this restatement of $1,077,258 applicable to 2017 and prior have been included in the restated 2017 beginning net assets. During 2018, the deferred rent liability was then decreased by $51,186 for a net correction at the end of 2018 of $1,026,072. Additionally, during 2018, there was a correction for the reporting of an interest in the William M. Casey Foundation, Inc. (Foundation) in the amount of $437,524. This amount was incorrectly recorded as part of the change in interest on the statement of activities versus an increase in the due from the Foundation. In addition, there were error corrections between current and long-term liability classifications on the statement of financial position.

The following financial statement line items for 2018 have been restated:

	As Restated	As Previously Reported	Effect of Change
Statements of Financial Position			
Accounts receivable	$ 30,362,855	$ 29,350,513	$ 1,012,342
Total current assets	40,260,780	39,248,438	1,012,342
Due from The William M. Casey Foundation, Inc.	1,237,274	799,750	437,524
Interest in net assets of The William M. Casey Foundation, Inc.	7,249,480	7,687,004	(437,524)
Total assets	81,287,141	80,274,799	1,012,342
Other current liabilities	430,658	888,402	(457,744)
Due to government agencies	5,788,805	4,776,463	1,012,342
Total current liabilities	21,188,630	20,634,032	554,598
Deferred rent liability	1,483,816	-	1,483,816
Total long-term liabilities	37,175,278	35,691,462	1,483,816
Total liabilities	58,363,908	56,325,494	2,038,414
Net assets without donor restrictions	16,688,762	18,152,358	(1,463,596)
Net assets with donor restrictions	6,234,471	5,796,947	437,524
Total net assets	22,923,233	23,949,305	(1,026,072)
Total liabilities and net assets	81,287,141	80,274,799	1,012,342
Statements of Activities			
Management and general expenses	15,249,761	15,300,947	(51,186)
Total supporting services	15,948,447	15,999,633	(51,186)
Total expenses	144,520,332	144,571,518	(51,186)
Change in net assets without donor restrictions before other changes	(823,202)	(874,388)	51,186
Change in net assets with donor restrictions before other changes	633,125	195,601	437,524
Total change in net assets before other changes	(190,077)	(678,787)	488,710
Change in interest in net assets of The William M. Casey Foundation, Inc.	311,037	748,561	(437,524)
Change in net assets without donor restrictions	(483,135)	(96,797)	(386,338)
Change in net assets with donor restrictions	632,287	194,763	437,524
Total change in net assets	149,152	97,966	51,186
Statements of Functional Expenses			
Occupancy	3,025,301	-	3,025,301
Statements of Cash Flows			
Change in net assets	149,152	97,966	51,186
Other current liabilities	143,133,651	-	143,133,651
Change in interest in net assets of The William M. Casey Foundation, Inc.	(311,037)	(748,561)	437,524
Accounts receivable	(3,218,822)	(963,924)	(2,254,898)
Due from The William M. Casey Foundation, Inc.	(1,237,274)	(799,750)	(437,524)
Due to government agencies	(580,769)	(1,593,111)	1,012,342
Due to the Dormitory Authority of the State of New York	-	(39,315)	39,315
Deferred rent liability	(51,186)	-	(51,186)

Note 21: Future Change in Accounting Principle

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for fiscal periods beginning after December 15, 2018 including interim periods within those fiscal years for not-for-profit entities that have issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market. All other entities were required to adopt the standard for fiscal years beginning December 15, 2019, which has been delayed by one year by a board decision was reached by FASB at its October 16, 2019 meeting (*i.e.*, fiscal year beginning after December 15, 2020). ASU 2019-10 has been issued regarding this decision. HeartShare and Affiliates are evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

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HeartShare Human Services of New York and Affiliates

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2018 and 2017

BKD
CPAs & Advisors

Contents

BKD
CPAs & Advisors

655 Third Avenue, Suite 1200 | New York, NY 10017-9115
212.867.4000 | Fax 212.867.9810 | bkd.com

Independent Auditor's Report

Board of Directors
HeartShare Human Services of
New York and Affiliates
Brooklyn, New York

We have audited the accompanying consolidated financial statements of HeartShare Human Services of New York and Affiliates, which comprise the consolidated balance sheet as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HeartShare Human Services of New York and Affiliates as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2017 financial statements, before they were restated for the matters discussed in Note 23, were audited by other auditors, and their report thereon, dated November 30, 2017, expressed an unmodified opinion.

BKD, LLP

New York, New York
December 1, 2018

HeartShare Human Services of New York and Affiliates

Consolidated Balance Sheets

June 30, 2018 and 2017

	2018	2017 (Restated – Note 23)
Assets		
Current Assets		
Cash	$ 5,691,225	$ 9,719,602
Accounts receivable, net of allowance; 2018 – $2,161,000, 2017 – $2,181,000	29,350,513	28,386,589
Distribution receivable	720,000	720,000
Due from Metro Community Health Centers, Inc.	823,677	1,548,860
Prepaid expenses	2,072,432	1,989,486
Security deposits	171,836	179,903
Other current assets	418,755	440,063
Total current assets	39,248,438	42,984,503
Due from The William M. Casey Foundation, Inc.	799,750	-
Distribution receivable	3,378,645	3,966,096
Due from Metro Community Health Centers, Inc.	1,061,260	1,224,974
Beneficial interest in perpetual trust	49,056	49,894
Interest in net assets of The William M. Casey Foundation, Inc.	7,687,004	6,938,443
Fixed assets	27,768,816	27,374,042
Deferred charges and other assets	281,830	272,072
Total assets	$ 80,274,799	$ 82,810,024

HeartShare Human Services of New York and Affiliates

Consolidated Balance Sheets

June 30, 2018 and 2017

	2018	2017 (Restated – Note 23)
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 4,086,451	$ 5,785,478
Accrued salaries and vacations payable	6,382,993	5,501,013
Due to government agencies	4,059,791	13,542,299
Due to Dormitory Authority of the State of New York	216,356	255,671
Due to New York City Department of Education	500,316	390,166
Current portion of long-term debt	3,666,441	4,248,863
Post retirement benefit obligation	10,323	10,340
Allowance for potential rate adjustments	822,959	1,025,561
Other current liabilities	888,402	1,020,507
Total current liabilities	20,634,032	31,779,898
Long-Term Liabilities		
Due to government agencies	11,994,769	4,176,207
Long-term debt	19,475,132	19,420,302
Post retirement benefit obligation	563,337	564,290
Allowance for potential rate adjustments	3,658,224	3,017,988
Total long-term liabilities	35,691,462	27,178,787
Total liabilities	56,325,494	58,958,685
Net Assets		
Unrestricted	18,152,358	18,249,155
Temporarily restricted	5,632,230	5,436,629
Permanently restricted	164,717	165,555
Total net assets	23,949,305	23,851,339
Total liabilities and net assets	$ 80,274,799	$ 82,810,024

HeartShare Human Services of New York and Affiliates
Consolidated Statements of Activities
Years Ended June 30, 2018 and 2017

	2018				2017 (Restated – Note 23)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support								
Contributions, legacies, and bequests	$ 2,549,603	$ 1,090,007	$ -	$ 3,639,610	$ 2,783,556	$ 241,745	$ -	$ 3,025,301
Special events revenues	1,169,390	23,358	-	1,192,748	931,296	25,248	-	956,544
Direct cost of special events	(573,379)	-	-	(573,379)	(513,370)	-	-	(513,370)
Patient service revenues (net of provision for bad debt of $311,877 in 2018 and $230,906 in 2017)	4,189,551	-	-	4,189,551	4,709,131	-	-	4,709,131
Fees and grants from government agencies	128,234,808	-	-	128,234,808	131,633,038	-	-	131,633,038
Client fees	3,480,296	-	-	3,480,296	3,192,494	-	-	3,192,494
Other grants	277,538	-	-	277,538	237,936	-	-	237,936
Interest income	118,516	-	-	118,516	64,155	-	-	64,155
Other revenues	3,201,340	-	-	3,201,340	897,214	-	-	897,214
Rental income	131,703	-	-	131,703	105,476	-	-	105,476
Gain on sale of fixed assets	-	-	-	-	220,252	-	-	220,252
Net assets released from restrictions	917,764	(917,764)	-	-	289,490	(289,490)	-	-
Total revenues, gains and other support	143,697,130	195,601	-	143,892,731	144,550,668	(22,497)	-	144,528,171
Expenses								
Program services								
Boarding home	20,249,067	-	-	20,249,067	20,806,925	-	-	20,806,925
Medical services	5,623,841	-	-	5,623,841	6,561,202	-	-	6,561,202
AIDS services	952,567	-	-	952,567	929,133	-	-	929,133
Residence programs for the developmentally disabled	47,945,531	-	-	47,945,531	47,000,162	-	-	47,000,162
Prevention	6,552,528	-	-	6,552,528	5,812,919	-	-	5,812,919
Education	16,956,350	-	-	16,956,350	16,637,682	-	-	16,637,682
Respite	960,047	-	-	960,047	1,020,610	-	-	1,020,610
Energy programs	170,151	-	-	170,151	145,892	-	-	145,892
Day programs	22,210,642	-	-	22,210,642	21,340,087	-	-	21,340,087
Clinical services	3,047,060	-	-	3,047,060	3,555,506	-	-	3,555,506
Children community residence	3,591,549	-	-	3,591,549	3,534,368	-	-	3,534,368
American Dream program	312,552	-	-	312,552	105,430	-	-	105,430
Total program services	128,571,885	-	-	128,571,885	127,449,916	-	-	127,449,916

HeartShare Human Services of New York and Affiliates
Consolidated Statements of Activities
Years Ended June 30, 2018 and 2017

	2018				2017 (Restated – Note 23)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses (continued)								
Supporting services								
Management and general	$ 15,300,947	$ -	$ -	$ 15,300,947	$ 15,013,720	$ -	$ -	$ 15,013,720
Fundraising	698,686	-	-	698,686	670,015	-	-	670,015
Total supporting services	15,999,633	-	-	15,999,633	15,683,735	-	-	15,683,735
Total expenses	144,571,518	-	-	144,571,518	143,133,651	-	-	143,133,651
Change in Net Assets Before Other Changes	(874,388)	195,601	-	(678,787)	1,417,017	(22,497)	-	1,394,520
Loss on beneficial interest in perpetual trust	-	-	(838)	(838)	-	-	(1,409)	(1,409)
Change in unfunded post retirement benefits	29,030	-	-	29,030	142,336	-	-	142,336
Change in interest in net assets of The William M. Casey Foundation, Inc.	748,561	-	-	748,561	1,611,809	-	-	1,611,809
Change in Net Assets	(96,797)	195,601	(838)	97,966	3,171,162	(22,497)	(1,409)	3,147,256
Net Assets, Beginning of Year, as Previously Reported					10,299,222	5,628,885	166,964	16,095,071
Adjustment Applicable to Prior Years					4,778,771	(169,759)	-	4,609,012
Net Assets, Beginning of Year, as Restated	18,249,155	5,436,629	165,555	23,851,339	15,077,993	5,459,126	166,964	20,704,083
Net Assets, End of Year	$ 18,152,358	$ 5,632,230	$ 164,717	$ 23,949,305	$ 18,249,155	$ 5,436,629	$ 165,555	$ 23,851,339

HeartShare Human Services of New York and Affiliates
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017 (Restated – Note 23)
Operating Activities		
Change in net assets	$ 97,966	$ 3,147,256
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	3,660,550	4,192,691
Amortization of debt issuance costs included in interest expense	149,335	144,361
Gain on sale of fixed assets	-	(220,252)
Loss on beneficial interest in perpetual trust	838	1,409
Change in interest in net assets of The William M. Casey Foundation, Inc.	(748,561)	(1,611,809)
Post retirement benefit obligation	(970)	26,767
Reserve for contingency	371,020	-
Changes in		
Accounts receivable	(963,924)	3,751,333
Distribution receivable	587,451	1,063,307
Prepaid expenses	(82,946)	1,041,557
Security deposits	8,067	55,779
Other current assets	21,308	(243,781)
Due from Metro Community Health Centers, Inc.	888,897	(1,320,222)
Due from The William M. Casey Foundation, Inc.	(799,750)	-
Deferred charges and other assets	(9,758)	267,775
Accounts payable and accrued expenses	(1,699,027)	1,406,316
Accrued salaries and vacations payable	881,980	(468,775)
Due to government agencies	(1,663,946)	(3,774,661)
Due to the Dormitory Authority of the State of New York	(39,315)	63,744
Due to New York City Department of Education	110,150	(664,557)
Due to The William M. Casey Foundation, Inc.	-	(249,051)
Allowance for potential rate adjustments	66,614	(444,628)
Other current liabilities	(132,105)	337,742
Net cash provided by operating activities	703,874	6,502,301

HeartShare Human Services of New York and Affiliates
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017 (Restated – Note 23)
Investing Activities		
Fixed asset acquisitions	$ (4,055,324)	$ (6,579,142)
Net cash used in investing activities	(4,055,324)	(6,579,142)
Financing Activities		
Proceeds from long-term debt	1,986,909	4,239,026
Principal payments on long-term debt	(2,640,178)	(2,536,932)
Debt issuance costs	(23,658)	(22,853)
Net cash (used in) provided by financing activities	(676,927)	1,679,241
(Decrease) Increase in Cash and Cash Equivalents	(4,028,377)	1,602,400
Cash, Beginning of Year	9,719,602	8,117,202
Cash, End of Year	$ 5,691,225	$ 9,719,602
Supplemental Cash Flows Information		
Interest paid, net of capitalized interest	$ 1,213,945	$ 1,027,818
Note received from Metro Community Health Centers, Inc. in connection to the sale of fixed assets	-	1,454,302

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

HeartShare Human Services of New York (HeartShare) operates programs in Brooklyn, Queens, and Staten Island, and was founded in 1914. HeartShare serves the community through children and family services, programs for persons of all ages with developmental disabilities and persons affected by HIV-AIDS. HeartShare is supported primarily by service fees paid by Medicaid, New York City and various New York State agencies, and government grants.

HeartShare is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and is a publicly supported organization as described in Section 509(a).

HeartShare Wellness, Ltd.'s (Wellness) services include Article 16 clinic services to provide evaluations and long-term therapies to individuals with intellectual and developmental disabilities (IDD), as well as a targeted case management program (Health Home) for those with chronic health/mental health conditions who also receive Medicaid. Wellness is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). Wellness began operations on May 1, 2000. Wellness is supported primarily by patient service fees paid by Medicaid and Medicare.

The members of Wellness are the Chairperson and President and CEO of HeartShare and one other person designated by the Chairperson of HeartShare.

HeartShare Education Center (dba The HeartShare School) (HEC) was granted a provisional charter by the New York State Education Department on July 26, 2006. Effective July 1, 2009, HEC's operations were segregated from HeartShare. HEC is exempt from federal income tax under Internal Revenue Code Section 501(c)(3).

HEC is approved by the New York State Education Department and the New York City Department of Education to educate children ages 5 to 21 diagnosed with autism and the spectrum disorders, as well as children diagnosed with mental retardation and other developmental disabilities. HEC focuses on the whole child and uses a combination of educational, behavioral and therapeutic approaches based on each child's unique needs. HEC is funded by the New York State Education Department through the New York City Department of Education and the New York State Department of Health. Additional support is provided through private donations and grants.

The members of HEC are the Chairperson and President and CEO of HeartShare and one other person designated by the Chairperson of HeartShare.

St. Vincent's Services, Inc. (dba HeartShare St. Vincent's Services) (HSVS) serves the community through the provision of foster boarding home services, educational services, medical and mental health care, group homes, and intermediate care services. HSVS is supported primarily by service fees paid by Medicaid, New York City and various New York State agencies, and government grants. HSVS is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and is a publicly supported organization as described in Section 509(a). HeartShare and HSVS formally affiliated in 2014.

The by-laws state that HSVS shall have only five (5) members: The Chairperson of HeartShare (unless otherwise so designated by the Board of Directors of HeartShare); the President and CEO of HeartShare (unless otherwise so designated by the Board of Directors of HeartShare); one (1) other person designated by the Board of Directors of HeartShare, the "Designee of HeartShare"; and one other person designated by the Board of Directors of The William M. Casey Foundation, Inc. (the Foundation), and, ex officio, the Bishop of The Roman Catholic Diocese of Brooklyn, New York, or his designee as so designated in writing by the Bishop.

HeartShare is a member of the New York Integrated Network for Persons with Developmental Disabilities and Affiliate (the Network) which was founded on June 12, 2012 as a collaborative venture of successful and trusted service providers in New York State. The purpose is to become a sustainable network with an integrated system with multiple services and supports that will develop new and innovative models of care, utilize best practices, stabilize quality of services, and demonstrate effective and efficient delivery of care. On November 14, 2014, the Network was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3). The Network is a publicly supported organization as described in Internal Revenue Code Section 509(a). No consolidation is required as HeartShare is one of several members and has less than a 50% membership in the corporation.

Meaningful NY Initiatives for People with Disabilities, Inc. (MNY) was founded on July 7, 2014. The purpose is to support individuals with disabilities in developing skills that will enable them to enter and be successful in the workforce by providing services to the community. On March 9, 2015, MNY was granted exemption from federal income tax under Internal Revenue Code Section 501(c)(3). MNY is a publicly supported organization as described in Internal Revenue Code Section 509(a). Contributions to the Network have been expensed in these statements. No consolidation is required as HeartShare is one of several members and has less than a 50% membership in MNY.

Consolidation

The consolidated financial statements include the balances, activities and cash flows of HeartShare, Wellness, HEC, and HSVS. All material intercompany transactions and balances have been eliminated in consolidation.

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 and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

HeartShare Human Services of New York and Affiliates (HeartShare and Affiliates) record receivables based on established rates for services provided. Government grants are recognized as revenues as expenses have been incurred for the purposes specified by the contracts. To the extent amounts received exceed amounts spent, HSVS records advances from government funders. Interest income is not accrued or recorded on accounts receivable.

Contributions and Distribution Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. No allowance was deemed necessary as of June 30, 2018 and 2017.

Due from Metro Community Health Centers, Inc.

Included in due from Metro Community Health Centers, Inc. is a loan receivable which is recorded based on a signed loan agreement. (See Note 17). Interest is accrued based on a rate specified in the loan agreement. In addition, a receivable has been recorded for operational costs incurred in the start up of the program. No allowance has been recorded at June 30, 2018 and 2017.

Allowance for Doubtful Accounts

Receivables are charged to bad debt when they are determined to be uncollectible based upon a periodic review of the accounts by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. No interest is charged on outstanding accounts receivable.

Beneficial Interest in Perpetual Trust

HSVS is a beneficiary of a perpetual trust held by another entity, as a trustee. HSVS' beneficial interest in this trust is recorded at the fair value.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Items with a cost in excess of $500 for HeartShare, Wellness, and HEC, and $1,000 for HSVS, and an estimated useful life of greater than one year are capitalized. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the term of the lease or their estimated useful lives.

HeartShare Human Services of New York and Affiliates
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

The estimated useful lives for each major depreciable classification of fixed assets are as follows:

Buildings	20 - 25 years
Transportation equipment	4 - 5 years
Furniture and equipment	3 - 15 years
Leasehold improvements	5 - 15 years

HeartShare capitalizes interest costs as a component of buildings, based on the weighted-average rates paid for long-term borrowing. Total interest incurred each year was:

	2018	2017
Interest costs capitalized	$ 75,248	$ 51,029
Interest costs charged to expense	1,185,300	1,348,890
Total interest incurred	$ 1,260,548	$ 1,399,919

Long-Lived Asset Impairment

HeartShare evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2018 and 2017.

Deferred Charges

HeartShare expenses all start-up costs. However, in order to account for the future reimbursement of these costs, HeartShare has recorded a deferred charge equal to the net future reimbursement it expects in the operation of its programs. The deferred charge will reduce revenue over the period of reimbursement.

Debt Issuance Costs

Debt issuance costs are reflected as a reduction of the carrying amount of the related debt and are amortized on the straight-line basis over the term of the associated debt. Amortization of debt issuance costs is included in interest expense.

Net Assets

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Revenue Recognition

Revenue is reported at the estimated net realizable amounts from consumers, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by the administrating agencies. It is reasonably possible recorded estimates will change materially in the near term. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. HeartShare has agreements with third-party payors that provide for payments to HeartShare at amounts different from its established rates. Payment arrangements include predetermined fees schedules and discounted charges. Tuition revenue is calculated by the number of approved students multiplied by the tuition rates established for the program. Government grants are recognized as revenues as expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, HeartShare and Affiliates establish advances from government funders.

Patient Service Revenues

Patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period that related services are rendered and adjusted in future periods as final settlements are determined. Wellness has agreements with third-party payors that provide for payments to Wellness at amounts different from their established rates. Payment arrangements include predetermined fees schedules and discounted charges. Patient service revenues, net of contractual allowances, include third-party payors, Medicaid, of $4,501,428 and $4,940,037 for the years ended June 30, 2018 and 2017, respectively.

Rental Income

Rental income is recognized based on the lease agreements. Leases are reflected on the straight line basis. Accrued rental income is accrued when material.

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Leases

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Operating lease payments are charged to rent expense. Rent expense is recorded on the straight-line basis over the term of the lease, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Functional Allocation of Expenses

The costs of providing HeartShare and Affiliates' services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on the job responsibility, square footage, and other methods.

Program services are summarized as follows:

<u>Boarding Home</u> – The Boarding Home Program is funded by the City of New York through the Administration for Children's Services (ACS). ACS places abused and neglected children with contracted agencies that provide the children with foster homes and services. ACS pays a per diem rate to the agency.

<u>Medical Services</u> – The children in foster care receive general medical care through Medicaid. Medicaid is funded 50% by the Federal Government and 50% by New York State. Based on the different types of programs, the agency receives various per diem rates. The Out Patient Clinic (OPC) serves adult clients who struggle with mental health issues. This program is funded by the New York State Office of Mental Health (OMH). The Chemical Dependency program serves adult clients with substance abuse issues. This program is funded by the New York State Office of Alcoholism and Substance Abuse Services (OASAS).

<u>AIDS Services</u> – The AIDS Residential Housing Program is funded by the City of New York through the Human Resources Administration's HIV/AIDS Services Administration (HRA/HASA). This program provides housing and support services for adults with advanced HIV/AIDS. HRA/HASA reimburses the agency for qualifying expenses.

Residence Programs for the Developmentally Disabled – Intermediate Care Facilities (ICF) operated by certification from the Office for People with Developmental Disabilities (OPWDD) with a capacity of up to 30 beds to provide active programming, room and board, and continuous 24-hour per day supervision. The supervised Individual Residential Alternative (IRA), which provides 24-hour supervised care, and the Supportive IRA where the consumer receives services in a more independent setting is a community-based group living arrangement that provides room, board and individualized protective oversight. They are designed to provide a home environment and a setting where persons can acquire the skills necessary to live as independently as possible. The residence programs are certified by OPWDD. The Community Habilitation services are residential habilitation services that are provided to individuals who do not reside in a residence which is certified or operated by OPWDD. Residential Habilitation also may include program-related personal care, health care and protective oversight and supervision. Medicaid Service Coordination is a case management program emphasizing an individual's choice. It requires providers to assist the individual in acquiring services that best serve the individual. Residence programs serve adult clients referred from local hospitals who struggle with substance abuse and mental health issues. Residents are connected to support services, such as mental health and drug treatment programs, to help them become self-sufficient. Residence programs, coupled with such services, provide an affordable, safe and permanent place to live for people facing homelessness. In addition to allowing tenants to build their independence and become part of a community, this type of program reduces long-term costs to the city and state, such as for psychiatric inpatient care and emergency rooms. The programs are funded through Medicaid, New York State, New York City and The New York State Office of Mental Health.

Prevention – The Prevention Programs are funded by the City of New York. Three of the programs are funded through ACS with contracted services provided to 296 families. The other program is funded through the Department of Youth and Community Development (DYCD) with contracted services provided to 105 families. These programs are community-based family service centers that help families find healthy ways to resolve problems and avoid conflicts and crisis. The goal is to help these families stay together and keep the children out of foster care. ACS and DYCD reimburse the agency for qualifying expenses.

Education – The Education Programs are for children who are diagnosed as learning disabled. Disabilities can range from mild to severe. Clinical services are required for the programs. The program is funded by New York State Education Department through New York City Department of Education. The two Beacon Programs, the Out Of School Time Program, the New York City Housing Authority (NYCHA) Community Program and the two Cornerstone Programs are funded by the City of New York through Department of Youth and Community Development (DYCD). These programs provide recreational and educational activities for community residents of all ages. DYCD reimburses the agency for qualifying expenses.

Respite – Provides an array of services that support families in maintaining their family members with disabilities at home or at site. The programs are funded through Medicaid and New York State.

Energy Programs – Grants are funded through contributions by Con Edison, Entergy, National Grid, NYSEG, RGE, foundations, corporations, and generous individuals. HeartShare administers the program that helps over 5,000 families stay warm in the winter and cool in the summer.

Day Programs – The Day Programs provide individuals with training in self-care and independent living skills. The programs also offer occupational, physical and speech therapy services. The staff also assists families with residential living plans for their relatives with developmental disabilities. Each facility offers services for individuals based on levels of disability. The programs are funded through Medicaid and New York State.

Children Community Residence – This program is funded by OMH to provide thirty-two youngsters residing at four locations, each with various services such as daily living, social skills, behavioral management, crisis management, family support and therapeutic recreation.

American Dream Program – This program is funded by contributions used to provide and assist with the finest educational opportunities for clients who are still in care or those who have aged out of care.

Clinical Services – This program includes Article 16 clinic services which provide evaluations and long- term therapies to individuals with intellectual and developmental disabilities (IDD), as well as a targeted case management program (Health Home) for those with chronic health/mental health conditions who also receive Medicaid.

Measure of Operations

HeartShare and Affiliates exclude from their definition of changes in net assets before other changes the loss on beneficial interest in perpetual trust, the change in interest in net assets of The William M. Casey Foundation, Inc. and change in unfunded post retirement benefits.

Uncertainty in Income Taxes

HeartShare and Affiliates have determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Periods ending June 30, 2015 and subsequent remain subject to examination by applicable taxing authorities.

Note 2: Distribution Receivable

Distribution receivable are discounted using a 3% discount rate and are due as follows:

	2018	2017
Current	$ 720,000	$ 720,000
Two to five years	3,600,000	3,600,000
Thereafter	180,000	900,000
	4,500,000	5,220,000
Discount on pledges	(401,355)	(533,904)
	$ 4,098,645	$ 4,686,096

As of June 30, 2018 and 2017, the distribution receivable in the amount of $4,500,000 and $5,220,000, respectively, was from The William M. Casey Foundation, Inc. (the Foundation). This will be funded through part of the proceeds of a 99-year land lease held by the Foundation.

Note 3: Beneficial Interest in Perpetual Trust

HSVS is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, HSVS has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is $49,056 and $49,894, which represents the fair value of the trust assets at June 30, 2018 and 2017, respectively. The loss from this trust for 2018 and 2017 was $(838) and $(1,409), respectively.

Note 4: Allowance for Potential Rate Adjustments

Revenues and receivables arising from the programs are dependent upon final audit and negotiations between HeartShare and Affiliates and the various third parties. As of June 30, 2018 and 2017, an allowance for potential rate adjustments of $4,481,183 and $4,043,549, respectively, has been included in these consolidated financial statements.

Note 5: Fixed Assets

	2018	2017
Land	$ 6,144,545	$ 5,869,545
Buildings	24,631,245	23,048,359
Transportation equipment	140,122	121,164
Furniture and equipment	10,360,034	10,212,028
Leasehold improvements	28,682,570	27,013,832
	69,958,516	66,264,928
Accumulated depreciation and amortization	(42,189,700)	(38,890,886)
	$ 27,768,816	$ 27,374,042

Note 6: Due to Government Agencies

HeartShare and Affiliates receive funding from various government agencies including the New York State Office for People with Developmental Disabilities (OPWDD), the New York State Office of Mental Health (OMH), the Centers for Medicare and Medicaid Services (CMS), the New York City Department of Mental Health and Hygiene (DMHH), New York City Department of Education, and New York State Education Department. These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Health's Independent Office of Medicaid Inspector General (OMIG), OASAS, New York City Human Resources Administration and other agencies have the right to audit fiscal, as well as programmatic compliance of HeartShare and Affiliates.

As of the date of this report, audits performed by New York City (NYC) have been completed through June 30, 2014 and final reimbursement rates have been determined. Recoupments are made by reducing current payments for services provided.

HeartShare entered into contracts with OPWDD for the operation of eleven intermediate care facilities, nineteen individual residential alternatives, twenty-two supportive IRA apartments, and ten day habilitation programs. As part of these agreements, OPWDD advanced funds to HeartShare for preoperational start-up costs, equipment, renovations, lease costs, real estate taxes and operations. HeartShare has agreed to pay back to OPWDD all of the above funds to the extent that such costs are reimbursed by Medicaid.

As of June 30, 2018 and 2017, HeartShare had accrued a liability in the amount of $6,619,775 and $8,884,880, respectively, for OPWDD advances, day habilitation recoupments, and the effects of new ICF reimbursement methodology.

As of June 30, 2018 and 2017, an estimated liability in the amount of $501,000 has been included in these consolidated financial statements for erroneous collection of food stamps receipts by certain consumers. These monies should not have been collected and are in the process of being refunded to the funding source.

HSVS has included reserves for amounts due to government agencies in these consolidated financial statements for adjustment to revenues from various government agencies. As of June 30, 2018 and 2017, an allowance for amounts due to government agencies of $8,671,821 and $7,219,428, respectively, has been included in these consolidated financial statements for New York City-related foster care and group homes programs. A total $2,586,373 of this liability will be paid over 30 years (ending in 2046) at a rate of $7,185 per month as per an agreement with New York City Administration for Children's Services.

In 2016, OMIG audited the day habilitation programs for HeartShare. No formal findings have been communicated and no liability has been recorded in these consolidated financial statements for 2018 and 2017.

OMIG audited chemical dependency and clinic programs for HSVS. Formal findings have been communicated and a liability of $3,640,996 has been recorded in these financial statements for 2018 as part of due to government agencies.

The total amount due to New York State for these advances and liabilities and accrued interest was $16,054,560 and $17,718,506 at June 30, 2018 and 2017, respectively. HeartShare entered into an agreement to repay a total of $5,183,974 by making weekly recoupment payments through April 2021.

OMIG and the New York State Office for People with Developmental Disabilities audited HeartShare's Home and Community-Based Waiver Services Medicaid billing. A preliminary report has been issued which HeartShare has provided comprehensive written responses. No further information was received from OMIG or OPWDD in regard to the response.

The Office of State Comptroller performed an audit of HeartShare's Consolidated Fiscal Reports (CFR) for the years ended June 30, 2012, 2013 and 2014. The purpose of the audit was to determine if HeartShare's CFRs were properly calculated, adequately documented and allowable under the State Educational Department's Reimbursable Cost Manual. HeartShare received the final audit report on October 24, 2017. The audit results will not have a significant impact on HeartShare's financial position.

Note 7: Due to Dormitory Authority of the State of New York

HeartShare has entered into loan agreements with the Dormitory Authority of the State of New York (DASNY) payable in annual installments until February 2019. The $216,356 and $255,671 due at June 30, 2018 and 2017, respectively, represent debt service payments on these loans not yet withheld from HeartShare's Medicaid payments.

Note 8: Due From/To New York City Department of Education

HEC has agreed to the final reconciliation for tuition years through 2016 with the New York City Department of Education (DOE). These amounts are included in the accounts receivable at June 30, 2018 and 2017.

In addition, HEC has received overpayments from the DOE for certain students. These amounts are included in the due to DOE and will be recouped from future tuition payments.

Note 9: Related-Party Transactions

The William M. Casey Foundation, Inc. is a tax-exempt entity under Section 501(c)(2). The Foundation is a real estate holding corporation for the purpose of supporting HSVS by holding title or leases to property to be leased, rented, subleased or otherwise made available to HSVS in its efforts to fulfill its mission statement, which may be amended from time to time.

The sole member of the Foundation is the Bishop of the Roman Catholic Diocese of Brooklyn, New York, and such membership shall not be terminated due to the death or resignation or expulsion of the person then holding such title, but shall thereafter inure to the benefit of his successor.

HSVS rents office space and equipment from the Foundation through operating leases. Rent expense for the years ended June 30, 2018 and 2017 amounted to $1,548,683 and $1,790,486, respectively.

HeartShare Human Services of New York and Affiliates
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 10: Long-Term Debt

	2018	2017
A. Mortgages Payable - Dormitory Authority of the State of New York (DASNY) (as successor to FDC)		
HeartShare entered into a series of loan agreements with the Facilities Development Corporation (FDC), a body corporate and politic of the State of New York, constituting a public benefit corporation, acting by and through its agent, the Commissioner of the New York State Office for People with Developmental Disabilities. As of 2004, all rights and privileges to the FDC mortgage have been transferred to DASNY. As part of these loan agreements, HeartShare borrowed the following amounts and agreed to the repayment schedules and collateral terms.	$ -	$ 44,250
1. The amounts outstanding as of June 30, 2018 and 2017 were $0 and $44,250, respectively. The loan bears interest at a rate of 6.41% per annum and is payable by HeartShare Human Services of New York to DASNY in semiannual installments until August 2018. The property encumbered is the land and building located in Brooklyn, New York.		
B. Mortgages Payable - Dormitory Authority of the State of New York (DASNY)		
HeartShare entered into a loan agreement with DASNY, a body corporate and politic of the State of New York, constituting a public benefit corporation, acting by and through its agent, the Commissioner of New York State Office for People with Developmental Disabilities. As part of the loan agreement, HeartShare borrowed the following amount and agreed to the repayment schedules and collateral terms.		
The loan bears interest at a rate of 6.41% per annum and is payable by HeartShare Human Services of New York to DASNY in semiannual installments until February 2019. The property encumbered is the land and building located in Maspeth, New York.	2,625	79,250
On December 22, 2016, HSVS entered into a loan agreement with Dormitory Authority of the State of New York (DASNY) in the amount of $2,250,580 for the purpose of acquiring a building. Principal and interest are payable semiannually in the amount of $96,465. The loan matures on June 1, 2035. Interest is fixed at a rate of 5.3357% per year. The loan is secured by HSVS's revenue and furniture and equipment.	2,131,852	2,207,943

C. Mortgages Payable - HSBC Bank, U.S.A.

In June 2013, HeartShare entered into a loan agreement with HSBC Bank, U.S.A. As part of the loan agreement, HeartShare borrowed the following amounts and agreed to the repayment schedules and collateral terms.

	2018	2017
The original principal amount of $18,000,000 bears interest at a rate of 4.35% per annum and is payable to HSBC Bank, U.S.A. in monthly installments until July 2023. The properties encumbered are the land and buildings located at various program sites.	$ 10,180,940	$ 11,913,183
In August 2014, HeartShare entered into a $1,040,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82% per annum and is payable to HSBC Bank, U.S.A. in monthly installments until September 1, 2024. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.	850,260	904,776
In August 2014, HeartShare entered into a $1,156,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82% per annum and is payable to HSBC Bank, U.S.A. in monthly installments until September 1, 2024. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.	945,097	1,005,693
In August 2014, HeartShare entered into a $786,000 loan agreement with HSBC Bank, U.S.A. The loan bears interest at a rate of 4.82% per annum and is payable to HSBC Bank, U.S.A. in monthly installments until September 1, 2024. Payments commenced on October 1, 2014. The properties encumbered are the land and buildings located at various program sites.	642,601	638,802
On June 30, 2017, HeartShare converted a bridge loan with HSBC Bank, U.S.A. to a permanent loan. The loan bears interest at a rate of 4.71% per annum and is payable to HSBC Bank, U.S.A. in monthly installments until July 1, 2027. Payments commenced July 1, 2017. The loan is secured by property located in Springfield Gardens, New York.	709,100	722,839

HeartShare Human Services of New York and Affiliates
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

	2018	2017
As of June 30, 2018 and 2017, HeartShare has available lines of credit of $12,000,000 for working capital and $7,000,000 for capital expenditures. The lines of credit were renewable annually on March 29 and bear interest at prime plus 0.5% or LIBOR plus 3.25% in 2017. On October 5, 2016, HeartShare St. Vincent's Services, Inc. was formally added to the line of credit. The $7,000,000 line of credit is payable on demand. The interest rate was 6% and 5.25% as of June 30, 2018 and 2017, respectively. Interest of $75,248 and $36,273 was capitalized during 2018 and 2017, respectively, relating to construction projects. During fiscal year 2017, HeartShare borrowed an additional $1,988,446 against the $7,000,000 line of credit for capital expenditures. There was no outstanding balance on the working capital line as of June 30, 2018 and 2017. All amounts outstanding on the line for capital expenditures are converted to bridge loans and then to permanent financing. As part of this revolving line of credit agreement, HeartShare Education Center (d/b/a The HeartShare School) and HeartShare Wellness, Ltd., related organizations entered into the agreement to be guarantors for this revolving line of credit.	$ 3,582,991	$ 1,596,081
On July 7, 2017, HeartShare converted a bridge loan in the amount of $672,853 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.66% per annum and is payable to HSBC Bank, U.S.A. in monthly installments until July 1, 2027. The loan is secured by property located in Brooklyn, New York.	622,461	672,853
On August 29, 2017, HeartShare converted a bridge loan in the amount of $392,365 to a permanent loan with HSBC Bank, U.S.A. The loan bears interest at the rate of 4.26% per annum and is payable to HSBC Bank, U.S.A. in monthly installments until August 1, 2023. The loan is secured by property located in Brooklyn, New York.	342,569	392,365
On October 30, 2015, HSVS obtained a $5,000,000 term loan payable on a monthly basis in the amount of $50,433, which includes principal and interest, for working capital. Payments commenced December 1, 2015. Interest is charged at a fixed rate of 3.92% per year. The loan is based on a 10-year amortization but will be due in 59 monthly installments. The balance of any principal outstanding will be due on the maturity date which is November 1, 2020. As of June 30, 2018 and 2017, accrued interest was $12,816 and $14,171, respectively, which is included in accounts payable and accrued expenses on the balance sheet.	3,897,360	4,338,090
Total	23,907,856	24,516,125
Less current portion	(3,666,441)	(4,248,863)
Less unamortized debt issuance costs	(766,283)	(891,960)
Long-term portion	$ 19,475,132	$ 19,375,302

Year Ending June 30,	
2019	$ 3,666,441
2020	4,760,903
2021	2,900,422
2022	3,030,772
2023	3,166,872
Thereafter	6,382,446
	23,907,856
Less unamortized debt issuance costs	(766,283)
Total	$ 23,141,573

Interest of $75,248 and $51,029 was capitalized during the years ended June 30, 2018 and 2017 related to the above debt.

Interest expense on long-term debt was $1,077,704 in 2018 and $1,140,218 in 2017.

Note 11: Operating Leases

HeartShare leases space under noncancelable operating leases at various locations. The annual rentals are subject to escalation agreements and periodic rate increases, which expire at various dates through December 2029. Rental payments for the preschool program also include payments of principal and interest on the mortgage obtained by the landlord for site renovations. In addition, HeartShare currently leases space for its administrative offices. The lease terminates in May 2021.

Wellness leases space at various locations under lease agreements expiring between 2018 and 2028. HeartShare has guaranteed these leases.

HeartShare leases a facility, which it subleases to HEC for its program services. HEC is charged directly for the rent expense for their portion of the space so no elimination is necessary. The lease expired on June 30, 2018. In January 2018, HeartShare renewed its lease for an additional ten years commencing on July 1, 2018 with the expiration date of June 30, 2028.

HSVS leases space under noncancelable operating leases at various locations. The annual rentals are subject to escalation agreements and periodic rate increases, which expire on various dates through August 2026.

The HeartShare and HSVS operating leases are contingent upon the continuation of government funding.

The total rent expense for years ended June 30, 2018 and 2017 is $10,524,856 and $10,607,432, respectively.

The minimum annual rent payments over the term of the leases are as follows:

Year Ending June 30,	
2019	$ 7,825,917
2020	6,386,101
2021	6,299,083
2022	3,070,135
2023	3,071,250
Thereafter	13,768,486
Total	$ 40,420,972

See Note 17 for details of the sublease to Metro Community Health Centers, Inc.

Note 12: Debt Service Reserve

Under the terms of the DASNY mortgages, HeartShare was required to deposit with the Medical Care Facilities Financing Agency (MCFFA) amounts to be held in reserve, which will be withdrawn to satisfy the remaining installments on the DASNY mortgages. The balance of the reserve fund as of June 30, 2018 and 2017 consists of cash of $230,899. This amount is included in deferred charges and other assets on the balance sheet.

Note 13: Pension Plans

HSVS has a defined benefit pension plan covering certain eligible employees. Plan benefits are generally based on the greater of an employee's accumulated cash balance plus interest or years of service and the employee's compensation during the last several years of employment. HSVS' funding policy is based on an actuarially determined cost method allowable under applicable regulations. The funds are invested in individual annuities. The following table sets forth the plan's funded status and amounts recognized at June 30, 2018 and 2017:

	2018	2017
Pension benefit obligation	$ (238,532)	$ (269,733)
Fair value of plan assets	99,912	260,758
Funded status	$ (138,620)	$ (8,975)

Information about the change in pension benefit obligations is as follows:

	June 30, 2018	June 30, 2017
Change in benefit obligations		
Beginning of year	$ (269,733)	$ (280,116)
Benefits paid	71,396	-
Interest cost	(18,881)	(19,608)
Actuarial gain (loss)	(21,314)	29,911
End of year	$ (238,532)	$ (269,813)

Information about the change in fair value of plan assets is as follows:

	June 30, 2018	June 30, 2017
Change in fair value of plan assets		
Beginning of year	$ 260,758	$ 251,614
Actuarial return on plan assets	(89,450)	9,144
Benefits paid	(71,396)	-
End of year	$ 99,912	$ 260,758

Components of net periodic pension costs:

	June 30, 2018	June 30, 2017
Interest cost	$ (18,881)	$ (19,608)
Actual return of assets	(89,450)	9,144
Amounts arising during the period		
Net gain	102,705	8,469
Amounts reclassified as components of net periodic benefit cost of the period		
Net gain	6,228	-
Net periodic benefit cost	$ 602	$ (1,995)

The estimated net loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $94,940.

	June 30, 2018	June 30, 2017
Weighted-average assumptions used to determine benefit obligations		
Discount rate	7.00%	7.00%
Rate of compensation increase	5.00%	5.00%
Weighted-average assumptions used to determine benefit costs		
Discount rate	7.00%	7.00%
Rate of compensation increase	5.00%	5.00%
Expected return on plan assets	7.00%	7.00%

The expected rate of return on plan assets assumption of 7.0% was utilized as the best estimate for long-term asset performance based primarily on historical returns on plan assets. As for all plans, this rate is subject to review and may be revised in either direction in future years. The change in accrued pension liability has been recorded in expenses. The accrued pension liability has been recorded as part of accrued salaries, vacation and pension payable on the balance sheets.

Cash Flows

HSVS did not contribute any funds to the pension plan for 2018.

HSVS expects to contribute $33,434 in 2019.

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

2019	$ 33,434
2020	33,434
2021	33,434
2022	33,434
2023	33,434
2024-2029	167,168

At June 30, 2018 and 2017, all of the plan's funds are invested in fixed annuity contracts.

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy.

At June 30, 2018 and 2017, all of the plan's funds are invested in fixed annuity contracts and are classified as within the Level 2 hierarchy as disclosures for pricing methods are considered observable inputs.

The plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the balance sheets. It is HSVS' intention to allocate contributions to the above in a manner that will maximize investment return while limiting to the extent possible investment volatility. To this end, the designated investment objectives of the plan include: maximizing return at a reasonable and prudent level of risk, enabling the payment of benefit obligations when due and controlling costs to the plan. HSVS seeks broad diversification and does not invest in speculative investments.

HSVS estimates the future return on plan assets based on past performance of the investments and the current allocation between specific fixed annuity contracts and their respective investment objectives.

HeartShare participated in a multiemployer defined benefit retirement plan. The plan was administered by The Diocese of Brooklyn (a separate unrelated organization). An employer's risks of participating in a multiemployer plan are different from a single employer plan in that the assets contributed to a multiemployer plan may be used to provide benefits to employees of other participating employers; and if a participating employer stops contributing to the plan, unfunded obligations, if any, of the plan may be borne by the remaining participating employers. The actuarial present value of accumulated plan benefits and net assets available for benefits relating to HeartShare's employees is not available because such information is not accumulated for each participating organization. Contributions for eligible employees were made at the rate of 7% of participants' salaries for those years for HeartShare, Wellness, and HEC. Contributions for eligible employees were made at the rate of 7% of participants' salaries for those years. The plan accruals have been frozen as of June 30, 2014 and will not increase due to additional service performed or compensation earned after that date. The freeze of the plan does not impact the benefit amount employees earned before July 1, 2014. All the assets under this plan were transferred to Catholic Federation of Social Service Agencies of Brooklyn and Queens Defined Benefit Pension Plan. Pension expense for the years ended June 30, 2018 and 2017 was $2,546,012 and $2,555,614, respectively.

Effective July 1, 2014, HeartShare, HSVS, Wellness, and HEC entered into Catholic Federation of Social Service Agencies of Brooklyn and Queens Defined Contribution Pension Plan. The Plan is a multiple employer church plan. Pension expense for the years ended June 30, 2018 and 2017 was $1,382,673 and $1,382,649, respectively.

Note 14: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or time restricted:

	2018	2017
The William M. Casey Foundation, Inc. Grant for periods after June 30	$ 4,910,071	$ 4,686,096
American Dream program	19,666	76,112
Family aid services	56,371	56,371
Smart Girls	54,886	54,886
Developmental disabilities programs	22,229	17,515
Preschool	502,249	478,891
Family and children's services	10,000	10,000
Scholarships	3,481	3,481
Vocational training room	10,000	10,000
Other	43,277	43,277
Total	$ 5,632,230	$ 5,436,629

Net assets were released from restrictions by incurring expenses satisfying the following restricted purposes:

	2018	2017
The William M. Casey Foundation, Inc. Grant	$ 720,000	$ 169,758
American Dream program	190,091	112,675
Developmental disabilities programs	7,673	7,057
Total	$ 917,764	$ 289,490

Note 15: Permanently Restricted Net Assets

HSVS holds $164,717 and $165,555 of permanently restricted net assets as of June 30, 2018 and 2017, respectively. This consists of a beneficial interest in perpetual trust of $49,056 in 2018 and $49,894 in 2017 and $115,661 of endowment funds in 2018 and 2017. HSVS' endowment consists of donor-restricted endowment funds to support educational programs to clients of the agency who are currently in care or clients who have aged out of care.

Note 16: Functional Expenses

	2018	2017
Program services	$ 128,571,885	$ 127,449,916
Management and general	15,300,947	15,013,720
Fundraising	698,686	670,015
Direct cost of special events	573,379	513,370
Total expenses	$ 145,144,897	$ 143,647,021

Note 17: Due from Metro Community Health Centers, Inc.

During 2016, HeartShare Wellness, Ltd. transferred its Medical Clinic license pursuant to Article 28 of the Public Health Law, to Metro Community Health Centers, Inc., an unrelated not-for-profit organization. Additionally, pursuant to an asset sale agreement, on August 29, 2016, HeartShare Wellness, Ltd. (seller) sold certain assets with a net book value of $1,234,050 to Metro Community Health Centers, Inc. In connection with this sale, HeartShare Wellness, Ltd. recorded a gain of $220,252. As part of the agreement, HeartShare Wellness, Ltd. accepted a note evidencing a loan receivable in the amount $1,454,302. The loan bears interest at an annual rate of 5.5% payable monthly over eight years. The payments were scheduled to begin in January 2017, however, due to cash flow issues HeartShare Wellness, Ltd. has agreed to defer collection until funds become available. As of June 30, 2018 and 2017, a total of $1,303,478 and $1,454,302, respectively, on the loan was outstanding.

Additionally, HeartShare Wellness, Ltd. agreed to lease certain employees, provide contracted staff, rental space, and other costs to the same unrelated not-for-profit organization. The sublease agreement expires in May 2024. As of June 30, 2018 and 2017, $581,459 and $1,319,532 was due under this arrangement.

During 2018 and 2017, HeartShare Wellness, Ltd. recorded rental income in the amount of $131,703 and $105,476, respectively.

The loans receivable and other amounts are due as follows:

Year Ending June 30,	
2019	$ 823,677
2020	172,950
2021	182,703
2022	193,012
2023	203,897
Thereafter	308,698
	$ 1,884,937

HeartShare Human Services of New York and Affiliates
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Rental income to be received is as follows:

Year Ending June 30,	
2019	$ 495,298
2020	510,157
2021	525,462
2022	541,226
2023	557,462
Thereafter	526,338
	$ 3,155,943

Note 18: Significant Estimates and Concentrations

Laws and regulations governing health care programs are 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. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from the government programs. Governmental and third-party funders will make adjustments to amounts billed and amounts paid based on the application of regulations by these entities. HSVS has made estimates and adjusted revenue based on historical estimates that may be adjusted in both the short and long term, given the actions of the governmental and third-party funders.

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

At June 30, 2018, HeartShare and Affiliates' cash accounts exceeded federally insured limits by approximately $5,953,000.

As of June 30, 2018 and 2017, substantially all of the outstanding accounts receivable are due from Medicaid through the New York State and New York City reimbursement systems.

As of June 30, 2018 and 2017, approximately 96% and 97%, respectively, of revenues is paid by Medicaid, New York State and New York City.

Litigation

HeartShare and Affiliates are subjects of various claims and litigations. Management is vigorously contesting these claims and believes that there will not be any material adverse impact on the financial position, change in net assets and cash flows of HeartShare and Affiliates. Events could occur that would change this estimate materially in the near term.

Note 19: Subsequent Events

Subsequent events have been evaluated through December 1, 2018, which is the date the consolidated financial statements were issued. As of July 13, 2018, the capital expenditures line of credit was increased from $7,000,000 to $9,500,000. The new interest rate is LIBOR plus 2.75% or prime for working capital line and prime plus 1% for capital expenditures line.

Note 20: Disclosures About Fair Value of Assets and Liabilities

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that HSVS has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at June 30, 2018 as compared to June 30, 2017.

Beneficial interest in perpetual trust: Valued based on the expected future cash flows held by the trust.

The method 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 HSVS believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

	Level 3	
	2018	2017
Beneficial interest in perpetual trust	$ 49,056	$ 49,897

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the years ended June 30, 2018 and 2017:

	2018	2017
Balance, beginning of year	$ 49,897	$ 51,303
Change in carrying value of trust	(838)	(1,409)
Balance, end of year	$ 49,059	$ 49,894

Note 21: Postretirement Benefit Obligation

HeartShare has a noncontributory defined benefit postretirement health care plan covering all employees who meet the eligibility requirements. HeartShare has not funded the plan to date. HeartShare expects to contribute $10,323 to the plan in 2019.

HeartShare uses a July 1 measurement date for the plan. Information about the plan's funded status follows:

	Other Benefits	
	2018	2017
Benefit obligation	$ (573,660)	$ (574,630)
Fair value of plan assets	-	-
Funded status	$ (573,660)	$ (574,630)

Assets and liabilities recognized in the statements of financial position:

	Other Benefits	
	2018	2017
Noncurrent assets	$ -	$ -
Current liabilities	$ 10,323	$ 10,340
Noncurrent liabilities	$ 563,337	$ 564,290

Change in benefit obligations:

	2018	2017
Benefit obligation at beginning of year	$ (574,630)	$ (547,863)
Service cost	(6,916)	(7,018)
Interest cost	(21,144)	(19,749)
Actuarial gain (loss)	29,030	-
	$ (573,660)	$ (574,630)

Other significant balances and costs are:

	Other Benefits	
	2018	2017
Employer contributions	None	None
Participant contributions	None	None
Benefits paid	None	None
Net periodic benefit costs	$ 144,809	$ 169,103

Other changes in plan assets and benefit obligations recognized in change in net assets:

	Other Benefits	
	2018	2017
Amounts arising during the period		
Net (gain) loss	$ 29,030	$ 142,336
Net prior service cost (credit)	6,916	7,018
Amounts reclassified as components of net periodic benefit cost of the period		
Net (gain) loss	116,749	142,336
Net prior service cost (credit)	None	None
Net transition (asset) obligation	None	None

The estimated net (gain) loss for the other defined benefit postretirement plans that will be amortized into net periodic benefit cost over the next fiscal year is $81,576.

HeartShare Human Services of New York and Affiliates
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Significant assumptions include:

	Other Benefits	
	2018	2017
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.05%	3.73%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit costs:		
Discount rate	3.73%	3.44%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A

For measurement purposes, a 5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2018 and 2017. The rate was assumed to decrease gradually to 3.886% by the year 2075 and remain at that level thereafter.

Contributions	
Expected employer contribution to postretirement benefit plans net of employee contribution for fiscal year 2019	$ 10,323
Estimated Future Benefit Payments	
Shown below are expected benefit payments, which reflect expected future service for fiscal year:	
2019	$ 10,323
2020	11,400
2021	16,337
2022	21,622
2023	23,017
2024-2028	167,853

Note 22: Interest in Net Assets of The William M. Casey Foundation, Inc.

HSVS and The William M. Casey Foundation, Inc. (the Foundation) are financially interrelated organizations. As discussed in Note 5, the Foundation is a real estate holding company exempt under the Internal Revenue Code section 501(c)(2).

HSVS' interest in the net assets of the Foundation is accounted for in a manner similar to the equity method. Changes in the interest are included in change in net assets. Transfers of assets between the Foundation and HSVS are recognized as increases or decreases in the interest in the net assets of the Foundation with corresponding decreases or increases in the assets transferred and have no effect on change in net assets.

HSVS' interest in the net assets of the Foundation was $7,687,004 and $6,938,443 at June 30, 2018 and 2017, respectively. This interest includes all the net assets that donors have stipulated should be used for HSVS.

Note 23: Restatement of Prior Years' Financial Statements

In prior years, HeartShare did not include a liability for its postretirement medical obligation. During 2017, HeartShare retroactively recorded these liabilities on the balance sheet. Adjustments of $547,863 applicable to 2016 and prior have been included in the restated 2016 beginning net asset balance for the postretirement medical benefits. Additionally, HSVS did not record interest in net assets of The William M. Casey Foundation, Inc. and over recorded a distribution receivable of $240,000. Adjustments of $5,156,871 applicable to 2016 and prior, have been included in the restated 2017 beginning net asset balance.

HeartShare Human Services of New York and Affiliates
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

The following financial statement line items for fiscal year 2017 were affected by the correction.

	As Restated	As Previously Reported	Effect of Change
Balance Sheets			
Distribution receivable	$ 720,000	$ 960,000	$ (240,000)
Total current assets	42,984,503	43,224,503	(240,000)
Distribution receivable	3,966,096	3,918,035	48,061
Interest in net assets of The William M. Casey Foundation, Inc.	6,938,443	-	6,938,443
Total assets	82,810,024	76,063,520	6,746,504
Post retirement benefit obligation	10,340	-	10,340
Total current liabilities	31,779,898	31,769,558	10,340
Post retirement benefit obligation	564,290	-	564,290
Total long term liabilities	27,178,787	26,614,497	564,290
Total liabilities	58,958,685	58,384,055	574,630
Net assets, unrestricted	18,249,155	11,885,342	6,363,813
Net assets, temporarily restricted	5,436,629	5,628,568	(191,939)
Total net assets	23,851,339	17,679,465	6,171,874
Total liabilities and net assets	82,810,024	76,063,520	6,746,504
Statements of Activities			
Contributions, legacies and bequests	$ 3,025,301	$ 3,047,481	$ (22,180)
Total revenues, gains and other support	144,528,171	144,550,351	(22,180)
Management and general expenses	15,013,720	14,844,617	169,103
Total supporting sevices	15,683,735	15,514,632	169,103
Total expenses	143,133,651	142,964,548	169,103
Change in net assets before other changes	1,394,520	1,585,803	(191,283)
Change in interest in net assets of The William M. Casey Foundation, Inc.	1,611,809	-	1,611,809
Change in unfunded post retirement benefits	142,336	-	142,336
Change in net assets	3,147,256	1,584,394	1,562,862
Statements of Cash Flows			
Change in net assets	$ 3,147,256	$ 1,584,394	$ 1,562,862
Distribution receivable	1,063,307	1,041,127	22,180
Post retirement benefit obligation	26,767	-	26,767
Change in interest in net assets of The William M. Casey Foundation, Inc.	(1,611,809)	-	(1,611,809)

Note 24: Future Change in Accounting Principle

NFP Accounting Standard for Financial Reporting

Accounting Standards Update (ASU) 2016-14 changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted and should be applied on a retrospective basis; however, NFPs have the option in the year adopted to omit certain disclosures shown in comparative financials.

A summary of the changes by financial statement area is as follows:

Statement of financial position:

- The NFP statement of financial position will distinguish between two new classes of net assets those with donor-imposed restrictions and those without. The ASU retains the current requirements to provide information on the nature and amount of different types of donor restrictions in the notes to the financial statements.
- Underwater donor-restricted endowment funds are to be shown within the donor-restricted fund class. This is a change from the previously required classification as unrestricted.

Statement of activities:

- The standard requires NFPs to report expenses by both nature and function, either on the face of the statement of activities, as a separate statement or within the notes.
- NFPs are required to use the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset, in the absence of explicit donor stipulations. This eliminates the option to release the donor-imposed restriction over the estimated useful life of the acquired asset.
- Investment income will be shown net of external and direct internal investment expenses. There is no longer a requirement to include a disclosure of those netted expenses.

Statement of cash flows:

- An NFP can continue to choose to either use the indirect or direct method of reporting to present operating cash flows. If the direct method is used, there is no longer a requirement to present or disclose cash flows using the indirect (reconciliation) method.

Notes to the financial statements:

- The standard requires enhanced quantitative and qualitative disclosures to provide additional information useful in assessing liquidity and cash flows.
- Provide disclosures on amounts and purposes of governing board or self-imposed designations and appropriations as of the end of the period.
- For many NFPs, adoption of the ASU will result in significant changes to financial reporting and disclosures which likely will require significant hours to implement correctly. Management should examine its current reporting system to identify what changes are necessary to comply with the new standard for both its internal and external reporting requirements.

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities (December 15, 2017, for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities (December 15, 2018, for not-for-profits that are conduit debt obligors). HeartShare and Affiliates are in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2018 for not-for-profits that are conduit debt obligors and any interim periods within annual reporting periods that begin after December 15, 2018 for not-for-profits that are conduit debt obligors. HeartShare and Affiliates are evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

APPENDIX B-V

THE INSTITUTES OF APPLIED HUMAN DYNAMICS INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2020, JUNE 30, 2019 AND JUNE 30, 2018)

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THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC.
AND RELATED ENTITIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC.
AND RELATED ENTITIES

CONTENTS

GRASSI
ADVISORS & ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The Institutes of Applied Human Dynamics, Inc.
and Related Entities

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Institutes of Applied Human Dynamics, Inc. and Related Entities, which comprise the consolidated statements of financial position at June 30, 2020 and 2019, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

488 MADISON AVENUE, 21ST FLOOR, NEW YORK, NY 10022
P: 212.661.6166 • F: 212.755.6748 • GRASSICPAS.COM
JERICHO, NY | PARK RIDGE, NJ | RONKONKOMA, NY | WHITE PLAINS, NY

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Institutes of Applied Human Dynamics, Inc. and Related Entities at June 30, 2020 and 2019, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, consolidating statements of activities, and consolidating statements of functional expenses 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 audits 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, The Institutes of Applied Human Dynamics, Inc. and Related Entities adopted Financial Accounting Standards Board ("FASB") Accounting Standards Updates ("ASU") No. 2014-09, No. 2016-18, and No. 2018-08. Our opinion is not modified with respect to this matter.

Grassi & Co, CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
November 25, 2020

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,661,560	$ 3,309,963
Current portion of assets limited as to use	-	924,593
Accounts receivable, net	7,491,078	5,946,393
Estimated amounts due from third-party payors	502,683	234,968
Participant deposits	862,937	556,611
Prepaid expenses and other current assets	442,209	796,562
Total Current Assets	11,960,467	11,769,090
Assets limited as to use, net of current portion	251,866	491,767
Property and equipment, net	16,292,611	16,838,409
	$ 28,504,944	$ 29,099,266
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Loans payable, current portion	$ 1,016,519	$ 1,140,109
Accounts payable and accrued expenses	4,331,638	6,007,432
Accrued payroll and related taxes	2,389,672	1,876,538
Accrued postretirement plan liability, current portion	83,638	66,840
Due to New York State	336,044	336,044
Estimated third party-payor liabilities	755,021	-
Deferred employee compensation plan liabilities	-	843,265
Participant deposits	862,937	556,611
Total Current Liabilities	9,775,469	10,826,839
Accrued postretirement plan liability, net of current portion	1,087,242	979,161
Loans payable, net of current portion	7,740,992	8,165,005
Total Liabilities	18,603,703	19,971,005
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	9,901,241	9,106,561
With donor restrictions	-	21,700
Total Net Assets	9,901,241	9,128,261
	$ 28,504,944	$ 29,099,266

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

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THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:						
Program service fees:						
Residential services	$ 40,141,121	$ -	$ 40,141,121	$ 39,083,610	$ -	$ 39,083,610
Case management services	-	-	-	41,508	-	41,508
Day habilitation services	20,568,327	-	20,568,327	19,525,671	-	19,525,671
Prevocational services	797,818	-	797,818	1,559,001	-	1,559,001
Respite services	208,318	-	208,318	290,439	-	290,439
Self direction	25,370	-	25,370	42,778	-	42,778
Fundraising activities, net	177,861	-	177,861	266,907	21,700	288,607
Other revenue	9,663	-	9,663	238,408	-	238,408
Net assets released from restrictions	21,700	(21,700)	-	-	-	-
Total Revenue	61,950,178	(21,700)	61,928,478	61,048,322	21,700	61,070,022
Expenses:						
Program Services:						
Residential services	36,380,908	-	36,380,908	33,492,202	-	33,492,202
Day habilitation services	17,111,120	-	17,111,120	18,148,969	-	18,148,969
Prevocational services	1,405,016	-	1,405,016	1,442,900	-	1,442,900
Community habilitation services	243,580	-	243,580	-	-	-
Respite services	64,364	-	64,364	144,181	-	144,181
Self direction	70,072	-	70,072	82,793	-	82,793
Other expenses	122,638	-	122,638	104,475	-	104,475
Total Program Services	55,397,698	-	55,397,698	53,415,520	-	53,415,520
Supporting Services:						
Management and general	5,380,742	-	5,380,742	6,446,665	-	6,446,665
Fundraising	210,910	-	210,910	236,062	-	236,062
Total Supporting Services	5,591,652	-	5,591,652	6,682,727	-	6,682,727
Total Expenses	60,989,350	-	60,989,350	60,098,247	-	60,098,247
Change in net assets from operations	960,828	(21,700)	939,128	950,075	21,700	971,775
Change in postretirement liability to be recognized in future periods	(166,148)	-	(166,148)	(2,365)	-	(2,365)
Change in Net Assets	794,680	(21,700)	772,980	947,710	21,700	969,410
Net Assets, Beginning of Year	9,106,561	21,700	9,128,261	8,158,851	-	8,158,851
Net Assets, End of Year	$ 9,901,241	$ -	$ 9,901,241	$ 9,106,561	$ 21,700	$ 9,128,261

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

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

		Supporting Services				
	Program Services	Management and General	Fundraising	Direct Cost of Special Events	Total Supporting Services	Total
Salaries	$ 29,048,942	$ 2,304,562	$ 111,379	$ -	$ 2,415,941	$ 31,464,883
Employee benefits	11,246,893	964,556	37,927	-	1,002,483	12,249,376
Total personnel services expenses	40,295,835	3,269,118	149,306	-	3,418,424	43,714,259
Professional fees and service payments	330,883	525,174	17,124	-	542,298	873,181
Rent	1,254,430	463,148	-	-	463,148	1,717,578
Heat and utilities	848,790	133,645	-	-	133,645	982,435
Telephone	361,239	48,398	2,167	-	50,565	411,804
Transportation and travel	3,823,190	14,676	44	-	14,720	3,837,910
Repairs and maintenance	1,672,193	254,602	5,145	-	259,747	1,931,940
Staff training, conferences, and meetings	68,027	71,169	1,119	-	72,288	140,315
Stationery, postage and printing	239	14,715	2,000	-	16,715	16,954
Supplies	867,432	20,543	9	-	20,552	887,984
Food	604,666	15,563	6,981	-	22,544	627,210
Food, facility and entertainment	-	-	-	44,907	44,907	44,907
Recreation	378,072	809	-	-	809	378,881
Insurance	1,137,989	253,142	-	-	253,142	1,391,131
Interest	510,737	1,666	-	-	1,666	512,403
New York State health facility assessment	598,688	-	-	-	-	598,688
Client wages	40,744	-	-	-	-	40,744
Depreciation and amortization	1,604,613	141,212	6	-	141,218	1,745,831
Bad debt expense	604,288	28,099	-	-	28,099	632,387
Miscellaneous	395,643	125,063	27,009	-	152,072	547,715
	55,397,698	5,380,742	210,910	44,907	5,636,559	61,034,257
Less: cost of direct benefits of special events	-	-	-	(44,907)	(44,907)	(44,907)
Total Expenses	$ 55,397,698	$ 5,380,742	$ 210,910	$ -	$ 5,591,652	$ 60,989,350

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

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

		Supporting Services				
	Program Services	Management and General	Fundraising	Direct Cost of Special Events	Total Supporting Services	Total
Salaries	$ 27,928,643	$ 2,365,781	$ 90,242	$ -	$ 2,456,023	$ 30,384,666
Employee benefits	10,338,092	871,395	37,552	-	908,947	11,247,039
Total personnel services expenses	38,266,735	3,237,176	127,794	-	3,364,970	41,631,705
Professional fees and service payments	509,427	834,594	64,453	-	899,047	1,408,474
Rent	1,242,917	435,066	-	-	435,066	1,677,983
Heat and utilities	885,223	103,335	-	-	103,335	988,558
Telephone	178,461	167,037	-	-	167,037	345,498
Transportation and travel	4,989,192	47,809	24	-	47,833	5,037,025
Repairs and maintenance	1,532,649	386,945	161	-	387,106	1,919,755
Staff training, conferences, and meetings	37,185	51,116	494	-	51,610	88,795
Stationery, postage and printing	221	22,573	-	-	22,573	22,794
Supplies	742,209	98,511	622	-	99,133	841,342
Food	680,089	30,462	770	-	31,232	711,321
Food, facility and entertainment	-	-	-	77,864	77,864	77,864
Recreation	460,585	32,034	60	-	32,094	492,679
Insurance	813,672	534,433	-	-	534,433	1,348,105
Interest	447,293	6,719	-	-	6,719	454,012
New York State health facility assessment	533,010	-	-	-	-	533,010
Client wages	62,267	-	-	-	-	62,267
Depreciation and amortization	1,443,367	179,180	-	-	179,180	1,622,547
Bad debt expense	281,941	-	-	-	-	281,941
Miscellaneous	309,077	279,675	41,684	-	321,359	630,436
	53,415,520	6,446,665	236,062	77,864	6,760,591	60,176,111
Less: cost of direct benefits of special events	-	-	-	(77,864)	(77,864)	(77,864)
Total Expenses	$ 53,415,520	$ 6,446,665	$ 236,062	$ -	$ 6,682,727	$ 60,098,247

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 772,980	$ 969,410
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,745,831	1,622,547
Gain on sale of fixed assets	(10,740)	(15,000)
Bad debt expense	632,387	281,941
Accrued postretirement plan liability	124,879	(10,475)
Change in operating assets and liabilities:		
Accounts receivable	(2,177,072)	(566,721)
Estimated due from third-party payors	(267,715)	199,312
Prepaid expenses and other assets	354,353	(102,753)
Accounts payable and accrued expenses	(1,675,794)	916,033
Accrued payroll and related taxes	513,134	(82,076)
Due to New York State	-	(268,163)
Estimated third party-payor liabilities	755,021	-
Deferred employee compensation plan liabilities	(843,265)	62,502
Net cash (used in) provided by operating activities	(76,001)	3,006,557
Cash flows from investing activities:		
Purchase of fixed assets	(1,189,293)	(4,514,069)
Usage (increase) of assets limited as to use	843,265	(62,502)
Net cash used in investing activities	(346,028)	(4,576,571)
Cash flows from financing activities:		
Proceeds from loans	407,429	3,249,977
Principal payments on loans	(955,032)	(583,378)
Net cash (used in) provided by financing activities	(547,603)	2,666,599
Net change in cash and cash equivalents, including restricted	(969,632)	1,096,585
Cash and cash equivalents, including restricted, beginning of year	3,883,058	2,786,473
Cash and cash equivalents, including restricted, end of year	$ 2,913,426	$ 3,883,058
Supplemental disclosure of financial information:		
Cash paid for interest	$ 512,403	$ 454,012

Cash and cash equivalents, including restricted, is included in the consolidated statements of financial position at June 30, 2020 and 2019, respectively, as follows:

Cash	$ 2,661,560	$ 3,309,963
Assets limited as to use	251,866	573,095
Total	$ 2,913,426	$ 3,883,058

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

The Institutes of Applied Human Dynamics, Inc. (“IAHD”), located in the Bronx and Westchester counties in New York, provide residential, educational, case management, day habilitation, vocational and other services to developmentally disabled citizens. IAHD is supported primarily by service fees paid by various New York State agencies and government grants including Medicaid and the New York State Office for People with Developmental Disabilities (“OPWDD”).

IAHD is the sole member of 3680 Holding Company (“3680”). 3680’s primary asset is the parking facility adjacent to 3625 Bainbridge Avenue. 3680 shares a common board with IAHD.

IAHD is the sole member of Dynamics Residence Corporation of Burke Avenue (“DRCBA”). DRCBA is a not-for-profit corporation consisting of 14 units whose principal purpose is to provide housing for persons with disabilities. The corporation holds title to the land and building located in New York. The construction of the building was financed through the U.S. Department of Housing and Urban Development (“HUD”) in accordance with Section 202 of the Housing Act of 1959. The corporation is a Section 8 project regulated by HUD with respect to housing assistance payments for tenant charges and operating methods. The housing must remain available to eligible, very low income households in accordance with Section 202 for a period of 37 years beginning November 1987 and ending March 2025. DRCBA shares a common board with IAHD.

IAHD is the sole member of Habilitation Hostels Residence Corporation (“HHRC”). HHRC is a not-for-profit corporation consisting of 12 units whose principal purpose is to provide housing for persons with disabilities. The corporation holds title to the land and building located in New York. The construction of the building was financed through HUD in accordance with Section 202 of the Housing Act of 1959. The corporation is a Section 8 project regulated by HUD with respect to housing assistance payments for tenant charges and operating methods. The housing must remain available to eligible, very low income households in accordance with Section 202 for a period of 40 years beginning October 1983 and ending September 2023. HHRC shares a common board with IAHD.

IAHD is the sole member of Dynamics Hostels Residence Corporation (“DHRC”). DHRC is a not-for-profit corporation consisting of 42 units whose principal purpose is to provide housing for persons with disabilities. The corporation holds title to the land and buildings located in New York. The construction of the buildings was financed through HUD in accordance with Section 202 of the Housing Act of 1959. The corporation is a Section 8 project regulated by HUD with respect to housing assistance payments for tenant charges and operating methods. The housing must remain available to eligible, very low income households in accordance with Section 202 for a period of 40 years beginning March 1984 and ending February 2024. DHRC shares a common board with IAHD.

DRCBA, HHRC, and DHRC are funded primarily by housing assistance payments paid by tenants and HUD - Supportive Housing for Persons with Disabilities.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

IAHD, DRCBA, HHRC, and DHRC are tax exempt organizations under Section 501(c)(3) of the Internal Revenue Code. 3680 is a tax exempt organization under Section 501(c)(2) of the Internal Revenue Code.

Consolidated Financial Statements

The consolidated financial statements include the financial position, changes in net assets, cash flows and functional expenses of IAHD, DRCBA, HHRC, DHRC and 3680 (the "Consolidated Group"). All intercompany transactions have been eliminated.

Changes in Accounting Principles

ASU No. 2014-09

Effective July 1, 2019, the Consolidated Group adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09") using a modified retrospective method of adoption to all contracts with customers at July 1, 2019. ASU 2014-09 requires the Consolidated Group to recognize revenue to depict the provision of services to individuals with development disabilities in amounts that reflect the consideration to which the Consolidated Group expects to be entitled in exchange for those services. The amount to which the Consolidated Group expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing the services. Because contracts are generally completed within one year, the Consolidated Group used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the year ended June 30, 2020.

ASU No. 2016-18

Effective July 1, 2019, the Consolidated Group adopted the provisions of FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, on a modified retrospective basis. This ASU requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents.

ASU No. 2018-08

Effective July 1, 2019, the Consolidated Group adopted the provisions of FASB ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08") on a modified prospective basis. This ASU provides for guidance to assist the Consolidated Group in evaluating the transfer of assets and the nature of the related transactions. The Consolidated Group considers whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both indicates that the recipient is not entitled to the transferred assets or a future transfer of assets until it has overcome any barriers in the agreement.

The adoption of these ASUs resulted in changes in the presentation of financial statements and the related disclosures in the notes to the financial statements.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

Basis of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Consolidated Group classifies as cash and cash equivalents all highly liquid investments with initial maturities of three months or less when purchased.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Consolidated Group's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At June 30, 2020 and 2019, the fair value of the Consolidated Group's financial instruments, including cash and cash equivalents, accounts receivable, due from third party payors, participant deposits, accounts payable and accrued expenses, and due to New York State, approximated book value due to the short maturity of these instruments.

See Note 14 - Investments/Fair Value Measurements for assets measured at fair value.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

Allowance for Doubtful Accounts

The Consolidated Group determines whether an allowance for uncollectible accounts should be provided for receivables. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. The Consolidated Group has established an allowance for doubtful accounts of approximately $764,000 and $284,000 at June 30, 2020 and 2019, respectively.

Property and Equipment

Property and equipment is recorded at cost, except donated assets which are recorded at fair value at date of donation. Depreciation expense is calculated on the straight-line method over the estimated useful life of the asset (ranging from one to 40 years). Assets acquired through capitalized leases are recorded at the present value of the lease payments at the inception of the lease and are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The Consolidated Group capitalizes all purchases of property and equipment equal to or in excess of $5,000 and an estimated useful life of more than one year. The carrying amount of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of, and any resulting gain or loss is included in operations.

Assets Limited as to Use

Assets limited as to use are reported in the consolidated statements of financial position at fair value and include assets related to deferred compensation and assets subject to regulatory agreements.

Under terms with the Dormitory Authority of the State of New York ("DASNY'), IAHD had deposited cash with a trustee to be held in reserve to satisfy the final payment installment of mortgages issued through DASNY. The final installment payment was made during the year ended June 30, 2020.

In accordance with agreements between the Consolidated Group and HUD, the Consolidated Group established a capital reserve account to be used for the replacement of designated property and equipment. The Consolidated Group makes monthly deposits into the capital reserve account and withdrawals from the account require HUD approval.

Assets limited as to use consist of cash, money market funds and marketable securities.

Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at June 30, 2020 and 2019.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

Contract Liabilities

Contract liabilities represent revenue that has been deferred for the funds advanced by third-party payors for the Consolidated Group's contracts received related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding and other sources for the Consolidated Group's contracts for services not yet performed that are expected to be performed within the next fiscal year. There were no contract liabilities at June 30, 2020 and 2019.

Third-Party Reimbursement

The Consolidated Group receives substantially all its revenue for services provided to approved clients from third-party reimbursement agencies, primarily OPWDD, the Department of Health ("DOH"), and Medicaid. These revenues are subject to audit and retroactive adjustment by the respective third-party intermediary.

Net Assets

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose, or those net assets whose principal may or may not be expended, the income from which is expendable to support general operations.

Contributions

Contributions are provided to the Consolidated Group either with or without donor restrictions. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution or grant is recognized as follows:

Nature of the Gift	**Value Recognized**
Conditional gifts, with or without restriction	
Gifts that depend on the Consolidated Group overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

Contributions (cont'd.)

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that originate in a given year and are released from restriction in the same year by meeting the donors' restricted purposes are reflected in net assets without donor restrictions.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Consolidated Group. Those expenses include personnel services expenses and general operating expenses. Shared staff include program administration and support staff, and maintenance staff. Residential staff are allocated based on total operating costs of each program and the certified capacity of each program. Day program staff are allocated based on the capacity of each program. Maintenance staff are allocated based on a square footage basis. All other staff are allocated using a percentage of the total operating cost and based on capacity. General operating expenses are allocated based upon the methodology set forth by the New York State Consolidated Fiscal Report Instruction Manual, Appendix J.

Leases

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Capital leases are recorded at the lower of the fair market value of the assets or the present value of the minimum lease payments and are amortized over the lease term or estimated useful life of the assets, whichever is shorter, unless the lease provides for transfer of title or includes a bargain purchase option, in which case the lease is amortized over the estimated useful life of the asset. Operating lease payments are charged to rental expense. Operating lease expense has been recorded on the straight-line basis over the life of the leases, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

Self-Insured Medical Plan

Under IAHD's plan, medical insurance coverage was obtained for each employee so that exposure to excessive medical expenses is capped in conjunction with certain stop-loss provisions. A stop-loss policy is in effect, which limits IAHD's loss per individual employee to $150,000 and $6,470,264 in the aggregate. IAHD is solely responsible for all claims incurred up to the amount of the stop-loss provisions. Provisions for expenses expected under this program were recorded based upon IAHD's estimate of the aggregate liability for claims incurred. As of June 30, 2020, and 2019, IAHD recorded an accrual provision for incurred-but-not-reported ("IBNR") medical claims of $439,696 and $584,437, respectively.

Performance Indicator

The consolidated statement of activities includes change in net assets from operations as the performance indicator. Amounts excluded from the performance indicator include the change in postretirement benefit liability to be recognized in future periods. Transactions deemed by management to be ongoing, major or central to the provision of services are reported within change in net assets from operations. Peripheral or incidental transactions are excluded from change in net assets from operations.

Accounting for Uncertainty in Income Taxes

The Consolidated Group applies the provisions pertaining to uncertain tax provisions under FASB Accounting Standards Codification ("ASC") Topic 740 and has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. The Consolidated Group is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Consolidated Group believes it is no longer subject to income tax examinations prior to 2017.

New Accounting Pronouncement

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases.*

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncement (cont'd.)

ASU No. 2016-02 (cont'd.)

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, based on the decision in ASU No. 2020-05 to defer the implementation dates. Early application is permitted for all entities.

The Consolidated Group has not yet determined if this ASU will have a material effect on its consolidated financial statements.

Note 2 - Revenue from Contracts with Government Agencies

Service Revenue

The Consolidated Group receives funding from the New York State OPWDD to provide services to individuals with developmental disabilities. Revenue is reported at the amount that reflects the consideration to which the Consolidated Group expects to be entitled in exchange for providing the support and services. These amounts are due from third-party payors and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations.

Generally, the Consolidated Group bills third-party payors after the services are performed or they have completed their portion of the contract. Receivables are due in full when billed, and revenue is recognized as performance obligations are satisfied.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Consolidated Group in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided based on established rates. The Consolidated Group believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Consolidated Group measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

Because all of its performance obligations relate to contracts with durations of less than one year, the Consolidated Group has elected to apply the optional exemption provided in FASB ASC Subtopic 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation, which is usually at each month-end.

Note 2 - Revenue from Contracts with Government Agencies (cont'd.)

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations (cont'd.)

The Consolidated Group determines the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction price is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency. The Consolidated Group has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and service lines. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Third-Party Payors

Agreements with third-party payors are based on pre-determined rates for established services as they are provided, on a daily or monthly basis.

Significant Judgments

Laws and regulations concerning government programs are complex and subject to varying interpretation. There can be no assurance that regulatory authorities will not challenge the Consolidated Group's compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims or penalties would have upon the Consolidated Group.

From time to time, the Consolidated Group will receive overpayments resulting in amounts owed back to the government agency. In addition, contracts that the Consolidated Group has with certain government agencies provide for reconciliation and retroactive audit and review of documentation and annual report filings. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2020, the Consolidated Group has an estimated liability for amounts due to government agencies of $1,091,065, which is included in due to New York State and estimated third-party payor liabilities on the consolidated statements of financial position.

Reimbursement Method

Revenue of $61,740,954 for the year ended June 30, 2020 was recognized as the service transferred over time.

Financing Component

The Consolidated Group has elected the practical expedient allowed under FASB ASC Subtopic 606-10-32-18 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to the Consolidated Group's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payor pays for that service will be one year or less.

Contract Costs

The Consolidated Group has applied the practical expedient provided by FASB ASC Subtopic 340-40-25-4, and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Consolidated Group otherwise would have recognized is one year or less in duration.

Note 3 - Concentration of Credit Risk

The Consolidated Group maintains cash on deposit with major banks; however, such deposits exceed federally insured limits, which is $250,000 per institution.

Note 4 - Assets Limited as to Use

Assets limited as to use consist of the following:

	2020	2019
Under governmental regulatory agreements:		
Cash and money market funds	$ 251,866	$ 573,095
Under deferred compensation plans:		
Equities	-	843,265
Total assets limited as to use	251,866	1,416,360
Less: Current portion of assets limited as to use	-	924,593
Noncurrent assets limited as to use	$ 251,866	$ 491,767

Note 5 - Property and Equipment

Property and equipment, net, consists of the following:

	2020	2019
Land	$ 3,278,883	$ 3,278,883
Buildings	20,373,522	18,961,060
Building improvements	7,150,123	6,559,754
Leasehold improvements	5,991,198	5,991,198
Equipment	3,628,930	3,528,826
Vans and other vehicles	2,527,916	2,432,171
Construction in progress	-	1,162,947
	42,950,572	41,914,839
Less: Accumulated depreciation and amortization	26,657,961	25,076,430
	$ 16,292,611	$ 16,838,409

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was $1,745,831 and $1,622,547, respectively.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 6 - Loans Payable

Loans payable at June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Mortgage agreement with DASNY included original principal amount of $1,484,000, which bore interest at the rate of 5.34%, and was payable in semiannual installments of principal and interest until August 2019. Principal payments were $80,000 semi-annually. The mortgage was collateralized by the related property.	$ -	$ 34,000
Vehicle notes payable in various monthly installments at various rates ranging from 0% to 7.99%, with final payment due dates through March 2024. All notes are collateralized by the related vehicles.	396,070	284,787
Mortgage agreements with a financial institution are payable in monthly installments ranging from $2,885 to $14,313, with interest ranging from 4.25% to 7.5% per annum. The mortgages began to mature in 2015 and will continue to mature through 2027. The mortgages are collateralized by the related property.	2,275,744	2,812,466
Mortgage agreements through HUD in accordance with Section 202 of the Housing Act of 1959 include original principal amounts that range from $292,400 to $1,423,000, through 2025. Monthly payments vary from $2,312 to $3,968, with an interest rate of 9.25%. The mortgages are collateralized by the related property.	680,148	791,827
Mortage agreement with a financial institution payable in monthly installments of $12,932, with interest at 5.06% per annum. The mortgage matures in 2044 and is collateralized by the related property.	2,192,493	1,984,760
Mortgage agreements with a financial instutition are payable in monthly installments ranging from $6,668 to $18,145, with interest ranging from 4.605% to 5.40% per annum. The mortgages began to mature in 2018 and will continue to mature through 2043. The mortgages are collateralized by the related property.	3,176,540	3,243,748
Various unsecured notes are payable to a financial institution and are due in monthly principal installments ranging from $1,625 to $4,924 with interest varying from 3.39% to 3.83% through February 2020.	36,516	153,526
	8,757,511	9,305,114
Less: Current portion	1,016,519	1,140,109
Long-Term Debt	$ 7,740,992	$ 8,165,005

Note 6 - Loans Payable (cont'd.)

Required principal payments on loans payable at June 30, 2020 are as follows:

Years Ending June 30:	
2021	$ 1,016,519
2022	893,674
2023	816,408
2024	649,232
2025	415,349
Thereafter	4,966,329
	$ 8,757,511

Note 7 - Estimated Amounts Due to Third Party Payors

During 2020, the Consolidated Group received reimbursement from OPWDD for certain day programs in excess of allowable amounts. Accordingly, the Consolidated Group has recorded an estimated liability due back to OPWDD of $433,368 at June 30, 2020. In addition, the Consolidated Group has received certain funds through its reimbursement rates that represent overpayment for prevocational programs totaling $321,653 at June 30, 2020.

Note 8 - Due to New York State

In prior years, the New York State Office of the State Comptroller ("OSC") conducted an audit of IAHD's preschool program for the three years ended June 30, 2013. During 2015, IAHD received the final audit report, as issued by OSC. The audit report identified expense disallowances in the preschool program. The cumulative disallowance, as calculated by the New York State Education Department for the years ended June 30, 2011 through 2015 totaled $336,044. This amount has been recorded in these consolidated financial statements for the years ended June 30, 2020 and 2019.

Note 9 - Line of Credit

The Consolidated Group maintains a $4,000,000 revolving loan with a major bank that expires in February 2021 and bears interest at LIBOR one-month rate plus 150 basis points, which was 1.65% at June 30, 2020. At June 30, 2020 and 2019, no amounts were drawn down against the line of credit.

Note 10 - Related Party Transactions

For entity-specific accounting purposes, the entities within the Consolidated Group periodically assess the collectability of amounts due from related organizations to state the receivables at their estimated net realizable value. Allowances for potential uncollectible amounts have been recorded when deemed necessary.

Two family members of a director of IAHD's Board of Directors work for the organization. Their compensation and fringe benefits totaled $211,673 and $212,686 for the years ended June 30, 2020 and 2019, respectively. One member of the Board of Directors is the Vice President of a company who provides cleaning goods and supplies to IAHD totaling $207,254 and $200,577 during the years ended June 30, 2020 and 2019, respectively. Another member of the Board of Directors' son owns a company who provides pharmaceuticals to IAHD totaling $42,702 and $52,238 during the years ended June 30, 2020 and 2019, respectively.

Note 11 - Leased Facilities

The Consolidated Group entered into various operating leases for buildings located in New York for administrative and programmatic uses. In addition, the Consolidated Group rents program and office space on a month-to-month basis. The Consolidated Group also has entered into various lease agreements for equipment and vehicles. All leases are noncancellable and extend through September 30, 2027.

Rent expense for the years ended June 30, 2020 and 2019 was $1,717,578 and $1,677,983, respectively. Minimum annual payments at June 30, 2020 are as follows:

Years Ending June 30:	
2021	$ 1,492,910
2022	1,492,258
2023	1,537,342
2024	1,502,157
2025	1,550,119
Thereafter	2,624,164
	$ 10,198,950

Note 12 - Employee Benefit Plans

Defined Contribution Plan

IAHD's retirement expense is based upon annual employer contributions determined by the Board of Directors. The contributions are then made to a qualified deferred contribution plan, as defined by Internal Revenue Code Section 403(b). Accordingly, for the years ended June 30, 2020 and 2019, IAHD recorded a pension contribution equal to 4% of eligible participants' compensation. Pension expense under this plan for the years ended June 30, 2020 and 2019 was $588,637 and $281,480, respectively. A liability of $745,030 and $448,254 has been recorded at June 30, 2020 and 2019, respectively, for the defined contribution plan.

Multiple-Employer Defined Benefit Plan

IAHD contributes to the Local 338 Retirement Plan (the "Plan"), a multiple-employer defined benefit pension plan, under the terms of a participation agreement for its employees. The risks of participating in this multiple-employer plan are different from a single-employer plan in the following aspects:

a. Assets contributed to the 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 IAHD chooses to stop participating in the plan, IAHD may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Note 12 - Employee Benefit Plans (cont'd.)

Multiple-Employer Defined Benefit Plan (cont'd.)

IAHD's participation in this plan for the annual periods ended June 30, 2020 and 2019, is outlined in the tables below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2020 is for the plan's year-end at December 31, 2019. The zone status is based on information that IAHD received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are 65 percent to 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject. Negotiations for a new collective bargaining agreement are in progress as of the date of these financial statements.

2020

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented	Contributions	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Local 338 Retirement Plan	EIN 13-6533678 Plan No. 001	Green	N/A	$ 876,669	N/A	June 30, 2020

2019

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented	Contributions	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Local 338 Retirement Plan	EIN 13-6533678 Plan No. 001	Green	N/A	$ 862,691	N/A	June 30, 2020

Deferred Compensation Plan

Certain Consolidated Group employees participate in a deferred compensation plan established pursuant to Section 457 of the Internal Revenue Code. In connection with this plan, the Consolidated Group deposits amounts with trustees on behalf of the participating employees. Under the terms of the plan, the Consolidated Group is not responsible for investment gains or losses incurred. The assets set aside under the plan are designated for payment under the plan, but may revert to the Consolidated Group under certain specified circumstances. At June 30, 2019, amounts deposited with the trustees (at fair value) were equal to the liability under the plan and reported as assets limited as to use and deferred employee compensation plan liabilities on the consolidated statements of financial position. Additionally, investment return related to such assets and the associated employee benefits expense for this plan totaled $31,235 and $39,692 for the years ended June 30, 2020 and 2019, respectively. During 2020, the Consolidated Group paid distributions of $874,500 to eligible employees.

Note 13 - Postretirement Benefits

IAHD provides certain benefits to nine nonunion employees who have completed 20 years of service and have retired from IAHD. The benefit provided is currently a Medicare supplemental plan.

The reconciliation of the beginning and ending balances of the benefit obligation and the fair value of the plan's assets for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Benefit obligation:		
Benefit obligation, beginning of year	$ (1,046,001)	$ (1,056,476)
Service cost	-	-
Interest cost	(37,275)	(40,270)
Actuarial loss	(166,148)	(2,365)
Benefits paid	78,544	53,110
Benefit obligation, end of year	(1,170,880)	(1,046,001)
Fair value of plan assets:		
Employer contributions	78,544	53,110
Actual return on plan assets	-	-
Benefits paid	(78,544)	(53,110)
Fair value of plan assets, end of year	-	-
Funded status	$ (1,170,880)	$ (1,046,001)

Included in other changes in net assets without donor restrictions at June 30, 2020 and 2019 are the following amounts that have not yet been recognized in net periodic postretirement cost:

	2020	2019
Unrecognized actuarial (gain) loss	$ 164,456	$ (1,692)

The unrecognized actuarial loss and prior service cost included in changes in net assets at June 30, 2020 and expected to be recognized in net periodic postretirement cost during the year ending June 30, 2021 is $4,358.

Note 13 - Postretirement Benefits (cont'd.)

Net periodic postretirement benefit cost for the years ended June 30, 2020 and 2019 was determined using a discount rate of 3.38 percent and 3.91 percent, respectively. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 2.52 percent at June 30, 2020 and 3.38 percent at June 30, 2019. Components of net periodic postretirement cost are as follows:

	2020	2019
Service cost	$ -	$ -
Interest cost	(37,275)	40,270
Expected return on plan assets	-	-
Amortization of prior service cost	-	-
Amortization of net loss	-	-
	$ (37,275)	$ 40,270

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 6.50 percent for pre-65 years of age, 4.40 percent for post-65, and 6.75 percent for prescription drugs and Medicare Part B for 2020 and is assumed to decrease gradually to 3.784 percent for all groups in 2075, which is the year the rate reaches the ultimate trend rate, and remain at that level thereafter.

The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation at June 30, 2020 by $121,034, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2020 by $3,561. Decreasing the assumed health care cost trend rates by one percentage point in each year would decrease the accumulated postretirement benefit obligation at June 30, 2020 by $103,553, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2020 by $3,061.

IAHD expects to contribute $83,638 to its postretirement benefit plan in fiscal 2020 and the amount is included in the current portion of accrued postretirement payable.

The Consolidated Group expects to pay the following benefit payments, which reflect expected future services, as appropriate:

Years Ending June 30:	
2021	$ 83,638
2022	85,603
2023	90,601
2024	72,218
2025	71,666
2026-2030	340,868
	$ 744,594

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 14 - Investments/Fair Value Measurements

The Consolidated Group measures its securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect the Consolidated Group's own assumptions of market participant valuation (unobservable inputs).

Items Measured at Fair Value on a Recurring Basis

The Consolidated Group's assets consist of equity securities valued at Level 1 inputs on a recurring basis at June 30, 2019 totaling $843,265. There were no investments to be measured at fair value at June 30, 2020.

The resulting asset is included in assets limited as to use on the consolidated statements of financial position.

Note 15 - Contingencies

Revenues and receivables arising from programs funded by government agencies are dependent upon final audit and negotiations between the Consolidated Group and the various government agencies. Management believes that any rate adjustment would be insignificant and, accordingly, management has not included a reserve for potential rate adjustments in these consolidated financial statements.

Laws and regulations governing the Consolidated Group's programs are extremely 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. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from the Medicaid program.

As of June 30, 2020 and 2019, the Consolidated Group is party to various litigations which, in the opinion of management and legal counsel, will not have a material adverse impact on the financial position of the Consolidated Group.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the recognition of program service revenue and the collectability of receivables. Other financial impact could occur, though such potential impact is unknown at this time.

Note 16 - Available Resources and Liquidity

The Consolidated Group regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Consolidated Group has various sources of liquidity at its disposal, including cash and cash equivalents, investments, assets limited as to use and a line of credit. See Note 9 for information about the Consolidated Group's line of credit.

The following reflects the Consolidated Group's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	2020	2019
Current assets, excluding nonfinancial assets		
Cash and cash equivalents	$ 2,661,560	$ 3,309,963
Accounts receivable, net	7,491,078	5,946,393
Estimated amounts due from third-party payors	502,683	234,968
Total financial assets	10,655,321	9,491,324
Less: Donor restrictions	-	(21,700)
Financial assets available to meet cash needs for general expenditures within one year	$ 10,655,321	$ 9,469,624

Note 17 - Subsequent Events

The Consolidated Group has evaluated all events or transactions that occurred after June 30, 2020 through November 25, 2020, which is the date that these consolidated financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	The Institutes of Applied Human Dynamics, Inc.	Dynamics Residence Corporation of Burke Ave.	Habilitation Hostels Residence Corporation	3680 Holding Company, Inc.	Dynamics Hostels Residence Corporation	Eliminations	Consolidated
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 2,580,219	$ 8,782	$ 10,781	$ 53,244	$ 8,534	$ -	$ 2,661,560
Accounts receivable, net	7,417,914	13,262	12,354	8,291	39,257	-	7,491,078
Estimated amount due from third-party payors	502,683	-	-	-	-	-	502,683
Participant deposits	857,697	1,699	1,583	-	1,958	-	862,937
Prepaid expenses and other current assets	433,569	-	-	4,870	3,770	-	442,209
Total Current Assets	11,792,082	23,743	24,718	66,405	53,519	-	11,960,467
Due from related parties	556,750	-	-	-	-	(556,750)	-
Assets limited as to use, net of current portion	-	20,462	99,195	-	132,209	-	251,866
Property and equipment, net	15,574,766	198,910	45,083	30,000	443,852	-	16,292,611
	$ 27,923,598	$ 243,115	$ 168,996	$ 96,405	$ 629,580	$ (556,750)	$ 28,504,944
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Loans payable, current portion	$ 862,692	$ 32,057	$ 21,433	$ -	$ 100,337	$ -	$ 1,016,519
Accounts payable and accrued expenses	4,322,229	4,079	1,101	2,339	1,890	-	4,331,638
Accrued payroll and related taxes	2,389,672	-	-	-	-	-	2,389,672
Accrued postretirement plan liability, current portion	83,638	-	-	-	-	-	83,638
Due to New York State	336,044	-	-	-	-	-	336,044
Estimated third-party payor liabilities	755,021	-	-	-	-	-	755,021
Participant deposits	857,697	1,699	1,583	-	1,958	-	862,937
Total Current Liabilities	9,606,993	37,835	24,117	2,339	104,185	-	9,775,469
Due to related parties	-	35,568	223,118	3,797	294,267	(556,750)	-
Accrued postretirement plan liability, net of current portion	1,087,242	-	-	-	-	-	1,087,242
Loans payable, net of current portion	7,214,671	150,425	56,185	-	319,711	-	7,740,992
Total Liabilities	17,908,906	223,828	303,420	6,136	718,163	(556,750)	18,603,703
NET ASSETS (DEFICIT):							
Without donor restrictions	10,014,692	19,287	(134,424)	90,269	(88,583)	-	9,901,241
	$ 27,923,598	$ 243,115	$ 168,996	$ 96,405	$ 629,580	$ (556,750)	$ 28,504,944

See independent auditors' report.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	The Institutes of Applied Human Dynamics, Inc.	Dynamics Residence Corporation of Burke Ave.	Habilitation Hostels Residence Corporation	3680 Holding Company, Inc.	Dynamics Hostels Residence Corporation	Eliminations	Consolidated
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 3,036,531	$ 84,061	$ 68,147	$ 104,018	$ 17,206	$ -	$ 3,309,963
Current portion of assets limited as to use	924,593	-	-	-	-	-	924,593
Accounts receivable, net	5,551,787	58,115	43,629	116,423	176,439	-	5,946,393
Estimated amount due from third-party payors	234,968	-	-	-	-	-	234,968
Participant deposits	551,371	1,699	1,583	-	1,958	-	556,611
Prepaid expenses and other current assets	777,818	2,925	2,925	4,870	8,024	-	796,562
Total Current Assets	11,077,068	146,800	116,284	225,311	203,627	-	11,769,090
Due from related parties	1,189,941	-	-	-	-	(1,189,941)	-
Assets limited as to use, net of current portion	127,279	47,974	132,104	-	184,410	-	491,767
Property and equipment, net	16,108,961	202,619	46,598	30,000	450,231	-	16,838,409
	$ 28,503,249	$ 397,393	$ 294,986	$ 255,311	$ 838,268	$ (1,189,941)	$ 29,099,266
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Loans payable, current portion	$ 991,778	$ 29,238	$ 19,560	$ -	$ 99,533	$ -	$ 1,140,109
Accounts payable and accrued expenses	6,002,187	3,383	1,166	508	188	-	6,007,432
Accrued payroll and related taxes	1,876,538	-	-	-	-	-	1,876,538
Accrued postretirement plan liability, current portion	66,840	-	-	-	-	-	66,840
Due to New York State	336,044	-	-	-	-	-	336,044
Deferred employee compensation plan liabilities	843,265	-	-	-	-	-	843,265
Participant deposits	551,371	1,699	1,583	-	1,958	-	556,611
Total Current Liabilities	10,668,023	34,320	22,309	508	101,679	-	10,826,839
Due to related parties	-	183,159	354,960	165,469	486,353	(1,189,941)	-
Accrued postretirement plan liability, net of current portion	979,161	-	-	-	-	-	979,161
Loans payable, net of current portion	7,486,421	182,495	77,627	-	418,462	-	8,165,005
Total Liabilities	19,133,605	399,974	454,896	165,977	1,006,494	(1,189,941)	19,971,005
NET ASSETS (DEFICIT):							
Without donor restrictions	9,347,944	(2,581)	(159,910)	89,334	(168,226)	-	9,106,561
With donor restrictions	21,700	-	-	-	-	-	21,700
Total Net Assets (Deficit)	9,369,644	(2,581)	(159,910)	89,334	(168,226)	-	9,128,261
	$ 28,503,249	$ 397,393	$ 294,986	$ 255,311	$ 838,268	$ (1,189,941)	$ 29,099,266

See independent auditors' report.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	The Institutes of Applied Human Dynamics, Inc.			Dynamics Residence Corporation of Burke Ave.	Habilitation Hostels Residence Corporation	3680 Holding Company, Inc.	Dynamics Hostels Residence Corporation		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Eliminations	Consolidated
Revenue:									
Program service fees:									
Residential services	$ 39,508,462	$ -	$ 39,508,462	$ 144,794	$ 115,857	$ -	$ 372,008	$ -	$ 40,141,121
Day habilitation services	20,568,327	-	20,568,327	-	-	-	-	-	20,568,327
Prevocational services	797,818	-	797,818	-	-	-	-	-	797,818
Respite services	208,318	-	208,318	-	-	-	-	-	208,318
Self direction	25,370	-	25,370	-	-	-	-	-	25,370
Fundraising activities, net	177,861	-	177,861	-	-	-	-	-	177,861
Other revenue	36,487	-	36,487	9	159	124,961	16	(151,969)	9,663
Net assets released from restrictions	21,700	(21,700)	-	-	-	-	-	-	-
Total Revenue	61,344,343	(21,700)	61,322,643	144,803	116,016	124,961	372,024	(151,969)	61,928,478
Expenses:									
Program Services:									
Residential services	36,156,382	-	36,156,382	88,958	30,608	-	229,917	(124,957)	36,380,908
Day habilitation services	17,111,120	-	17,111,120	-	-	-	-	-	17,111,120
Prevocational services	1,405,016	-	1,405,016	-	-	-	-	-	1,405,016
Community habilitation services	243,580	-	243,580	-	-	-	-	-	243,580
Respite services	64,364	-	64,364	-	-	-	-	-	64,364
Self direction	70,072	-	70,072	-	-	-	-	-	70,072
Other	-	-	-	-	-	122,638	-	-	122,638
Total Program Services	55,050,534	-	55,050,534	88,958	30,608	122,638	229,917	(124,957)	55,397,698
Supporting Services:									
Management and general	5,250,003	-	5,250,003	33,977	59,922	1,388	62,464	(27,012)	5,380,742
Fundraising	210,910	-	210,910	-	-	-	-	-	210,910
Total Supporting Services	5,460,913	-	5,460,913	33,977	59,922	1,388	62,464	(27,012)	5,591,652
Total Expenses	60,511,447	-	60,511,447	122,935	90,530	124,026	292,381	(151,969)	60,989,350
Change in net assets from operations	832,896	(21,700)	811,196	21,868	25,486	935	79,643	-	939,128
Change in postretirement liability to be recognized in future periods	(166,148)	-	(166,148)	-	-	-	-	-	(166,148)
Change in Net Assets	666,748	(21,700)	645,048	21,868	25,486	935	79,643	-	772,980
Net Assets, Beginning of Year	9,347,944	21,700	9,369,644	(2,581)	(159,910)	89,334	(168,226)	-	9,128,261
Net Assets, End of Year	$ 10,014,692	$ -	$ 10,014,692	$ 19,287	$ (134,424)	$ 90,269	$ (88,583)	$ -	$ 9,901,241

See independent auditors' report.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
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	The Institutes of Applied Human Dynamics, Inc.			Dynamics Residence Corporation of Burke Ave.	Habilitation Hostels Residence Corporation	3680 Holding Company, Inc.	Dynamics Hostels Residence Corporation		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Eliminations	Consolidated
Revenue:									
Program service fees:									
Residential services	$ 38,400,176	$ -	$ 38,400,176	$ 168,675	$ 123,379	$ -	$ 391,380	$ -	$ 39,083,610
Case management services	41,508	-	41,508	-	-	-	-	-	41,508
Day habilitation services	19,525,671	-	19,525,671	-	-	-	-	-	19,525,671
Prevocational services	1,559,001	-	1,559,001	-	-	-	-	-	1,559,001
Respite services	290,439	-	290,439	-	-	-	-	-	290,439
Self direction	42,778	-	42,778	-	-	-	-	-	42,778
Fundraising activities, net	266,907	21,700	288,607	-	-	-	-	-	288,607
Other revenue	265,101	-	265,101	15	280	116,425	22	(143,435)	238,408
Total Revenue	60,391,581	21,700	60,413,281	168,690	123,659	116,425	391,402	(143,435)	61,070,022
Expenses:									
Program Services:									
Residential services	33,266,430	-	33,266,430	88,738	42,941	-	210,516	(116,423)	33,492,202
Day habilitation services	18,148,969	-	18,148,969	-	-	-	-	-	18,148,969
Prevocational services	1,442,900	-	1,442,900	-	-	-	-	-	1,442,900
Respite services	144,181	-	144,181	-	-	-	-	-	144,181
Self direction	82,793	-	82,793	-	-	-	-	-	82,793
Other	791	-	791	-	-	103,684	-	-	104,475
Total Program Services	53,086,064	-	53,086,064	88,738	42,941	103,684	210,516	(116,423)	53,415,520
Supporting Services:									
Management and general	6,315,217	-	6,315,217	30,396	30,018	1,907	96,139	(27,012)	6,446,665
Fundraising	236,062	-	236,062	-	-	-	-	-	236,062
Total Supporting Services	6,551,279	-	6,551,279	30,396	30,018	1,907	96,139	(27,012)	6,682,727
Total Expenses	59,637,343	-	59,637,343	119,134	72,959	105,591	306,655	(143,435)	60,098,247
Change in net assets from operations	754,238	21,700	775,938	49,556	50,700	10,834	84,747	-	971,775
Change in postretirement liability to be recognized in future periods	(2,365)	-	(2,365)	-	-	-	-	-	(2,365)
Change in Net Assets	751,873	21,700	773,573	49,556	50,700	10,834	84,747	-	969,410
Net Assets, Beginning of Year	8,596,071	-	8,596,071	(52,137)	(210,610)	78,500	(252,973)	-	8,158,851
Net Assets, End of Year	$ 9,347,944	$ 21,700	$ 9,369,644	$ (2,581)	$ (159,910)	$ 89,334	$ (168,226)	$ -	$ 9,128,261

See independent auditors' report.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	The Institutes of Applied Human Dynamics, Inc. — Program Services: Residential Services	Day Habilitation	Prevocational Services	Community Habilitation	Respite	Self-Direction	Total	Supporting Services: Management and General	Fundraising	Direct Cost of Special Events	Total	Total
Salaries	$ 20,668,534	$ 7,390,189	$ 741,189	$ 174,675	$ 30,269	$ 44,086	$ 29,048,942	$ 2,304,562	$ 111,379	$ -	$ 2,415,941	$ 31,464,883
Employee benefits	7,933,496	2,913,412	296,802	68,472	12,694	22,017	11,246,893	964,556	37,927	-	1,002,483	12,249,376
Total personnel services expenses	28,602,030	10,303,601	1,037,991	243,147	42,963	66,103	40,295,835	3,269,118	149,306	-	3,418,424	43,714,259
Professional fees and service payments	236,557	90,245	3,936	-	145	-	330,883	425,192	17,124	-	442,316	773,199
Rent	318,970	1,059,765	652	-	-	-	1,379,387	463,148	-	-	463,148	1,842,535
Heat and utilities	464,122	225,145	3,806	-	-	-	693,073	133,645	-	-	133,645	826,718
Telephone	277,812	74,407	7,665	-	623	732	361,239	48,398	2,167	-	50,565	411,804
Transportation and travel	112,579	3,456,017	254,132	-	172	290	3,823,190	14,676	44	-	14,720	3,837,910
Repairs and maintenance	1,066,192	584,742	19,990	111	715	443	1,672,193	254,602	5,145	-	259,747	1,931,940
Staff training, conferences, and meetings	55,870	10,787	1,209	-	161	-	68,027	71,169	1,119	-	72,288	140,315
Stationery, postage and printing	187	47	4	-	1	-	239	14,715	2,000	-	16,715	16,954
Supplies	718,984	144,876	2,814	-	733	25	867,432	20,543	9	-	20,552	887,984
Food	461,088	139,262	2,900	-	290	1,126	604,666	15,563	6,981	-	22,544	627,210
Food, facility and entertainment	-	-	-	-	-	-	-	-	-	44,907	44,907	44,907
Recreation	257,817	117,463	2,581	-	211	-	378,072	809	-	-	809	378,881
Insurance	590,817	301,508	14,606	322	491	322	908,066	253,142	-	-	253,142	1,161,208
Interest	406,315	23,743	22	-	5,779	-	435,859	1,666	-	-	1,666	437,525
New York State health facility assessment	598,688	-	-	-	-	-	598,688	-	-	-	-	598,688
Client wages	-	9,424	31,320	-	-	-	40,744	-	-	-	-	40,744
Management fees	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	1,285,769	292,581	4,934	-	9,726	-	1,593,010	141,212	6	-	141,218	1,734,228
Bad debt expense	373,781	211,563	16,454	-	1,499	991	604,288	-	-	-	-	604,288
Miscellaneous	328,804	65,944	-	-	855	40	395,643	122,405	27,009	-	149,414	545,057
	36,156,382	17,111,120	1,405,016	243,580	64,364	70,072	55,050,534	5,250,003	210,910	44,907	5,505,820	60,556,354
Less: cost of direct benefits of special events	-	-	-	-	-	-	-	-	-	(44,907)	(44,907)	(44,907)
Total Expenses	$ 36,156,382	$ 17,111,120	$ 1,405,016	$ 243,580	$ 64,364	$ 70,072	$ 55,050,534	$ 5,250,003	$ 210,910	$ -	$ 5,460,913	$ 60,511,447

	Dynamics Residence Corporation of Burke Ave.: Program Services	Supporting Services	Total	Habilitation Hostels Residence Corporation: Program Services	Supporting Services	Total	3680 Holding Company, Inc.: Program Services	Supporting Services	Total	Dynamics Hostels Residence Corporation: Program Services	Supporting Services	Total	Eliminations	Consolidated
Salaries	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 31,464,883
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	12,249,376
Total personnel services expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	43,714,259
Professional fees and service payments	-	29,526	29,526	-	29,076	29,076	-	1,388	1,388	-	39,992	39,992	-	873,181
Rent	-	-	-	-	-	-	-	-	-	-	-	-	(124,957)	1,717,578
Heat and utilities	30,146	-	30,146	2,835	-	2,835	40,787	-	40,787	81,949	-	81,949	-	982,435
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	411,804
Transportation and travel	-	-	-	-	-	-	-	-	-	-	-	-	-	3,837,910
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	1,931,940
Staff training, conferences, and meetings	-	-	-	-	-	-	-	-	-	-	-	-	-	140,315
Stationery, postage and printing	-	-	-	-	-	-	-	-	-	-	-	-	-	16,954
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	887,984
Food	-	-	-	-	-	-	-	-	-	-	-	-	-	627,210
Food, facility and entertainment	-	-	-	-	-	-	-	-	-	-	-	-	-	44,907
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	378,881
Insurance	36,737	-	36,737	18,084	-	18,084	81,824	-	81,824	93,278	-	93,278	-	1,391,131
Interest	18,366	-	18,366	8,174	-	8,174	27	-	27	48,311	-	48,311	-	512,403
New York State health facility assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	598,688
Client wages	-	-	-	-	-	-	-	-	-	-	-	-	-	40,744
Management fees	-	4,224	4,224	-	3,996	3,996	-	-	-	-	18,792	18,792	(27,012)	-
Depreciation and amortization	3,709	-	3,709	1,515	-	1,515	-	-	-	6,379	-	6,379	-	1,745,831
Bad debt expense	-	227	227	-	26,850	26,850	-	-	-	-	1,022	1,022	-	632,387
Miscellaneous	-	-	-	-	-	-	-	-	-	-	2,658	2,658	-	547,715
	88,958	33,977	122,935	30,608	59,922	90,530	122,638	1,388	124,026	229,917	62,464	292,381	(151,969)	61,034,257
Less: cost of direct benefits of special events	-	-	-	-	-	-	-	-	-	-	-	-	-	(44,907)
Total Expenses	$ 88,958	$ 33,977	$ 122,935	$ 30,608	$ 59,922	$ 90,530	$ 122,638	$ 1,388	$ 124,026	$ 229,917	$ 62,464	$ 292,381	$ (151,969)	$ 60,989,350

See independent auditors' report.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	The Institute of Applied Human Dynamics, Inc. — Program Services: Residential Services	Day Habilitation	Prevocational Services	Respite	Self-Direction	Other	Total	Supporting Services: Management and General	Fundraising	Direct Cost of Special Events	Total	Total
Salaries	$ 19,448,593	$ 7,604,156	$ 704,166	$ 111,609	$ 60,119	$ -	$ 27,928,643	$ 2,365,781	$ 90,242	$ -	$ 2,456,023	$ 30,384,666
Employee benefits	7,264,823	2,828,381	211,894	10,633	22,361	-	10,338,092	871,395	37,552	-	908,947	11,247,039
Total personnel services expenses	26,713,416	10,432,537	916,060	122,242	82,480	-	38,266,735	3,237,176	127,794	-	3,364,970	41,631,705
Professional fees and service payments	391,046	112,058	6,323	-	-	-	509,427	747,318	64,453	-	811,771	1,321,198
Rent	325,572	967,413	66,355	-	-	-	1,359,340	435,066	-	-	435,066	1,794,406
Heat and utilities	442,340	278,064	4,776	-	-	-	725,180	103,335	-	-	103,335	828,515
Telephone	99,867	76,982	1,462	150	-	-	178,461	167,037	-	-	167,037	345,498
Transportation and travel	139,937	4,482,991	365,669	-	-	595	4,989,192	47,809	24	-	47,833	5,037,025
Repairs and maintenance	946,750	581,705	2,106	-	107	-	1,530,668	386,945	161	-	387,106	1,917,774
Staff training, conferences, and meetings	28,758	7,759	668	-	-	-	37,185	51,116	494	-	51,610	88,795
Stationery, postage and printing	206	-	15	-	-	-	221	22,573	-	-	22,573	22,794
Supplies	599,339	142,305	-	560	5	-	742,209	98,511	622	-	99,133	841,342
Food	464,631	209,832	2,452	3,174	-	-	680,089	30,462	770	-	31,232	711,321
Food, facility and entertainment	-	-	-	-	-	-	-	-	-	77,864	77,864	77,864
Recreation	324,220	132,717	3,204	444	-	-	460,585	32,034	60	-	32,094	492,679
Insurance	407,158	201,671	7,030	-	-	-	615,859	534,433	-	-	534,433	1,150,292
Interest	333,152	28,554	91	6,594	-	-	368,391	6,719	-	-	6,719	375,110
New York State health facility assessment	533,010	-	-	-	-	-	533,010	-	-	-	-	533,010
Client wages	-	15,777	46,490	-	-	-	62,267	-	-	-	-	62,267
Management fee	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	1,069,441	344,931	12,220	9,635	-	-	1,436,227	179,180	-	-	179,180	1,615,407
Bad debt expense	180,866	91,967	7,343	1,368	201	196	281,941	-	-	-	-	281,941
Miscellaneous	266,721	41,706	636	14	-	-	309,077	235,503	41,684	-	277,187	586,264
	33,266,430	18,148,969	1,442,900	144,181	82,793	791	53,086,064	6,315,217	236,062	77,864	6,629,143	59,715,207
Less: cost of direct benefits of special events	-	-	-	-	-	-	-	-	-	(77,864)	(77,864)	(77,864)
Total Expenses	$ 33,266,430	$ 18,148,969	$ 1,442,900	$ 144,181	$ 82,793	$ 791	$ 53,086,064	$ 6,315,217	$ 236,062	$ -	$ 6,551,279	$ 59,637,343

	Dynamics Residence Corporation of Burke Ave.: Program Services	Supporting Services	Total	Habilitation Hostels Residence Corporation: Program Services	Supporting Services	Total	3680 Holding Company, Inc.: Program Services	Supporting Services	Total	Dynamics Hostels Residence Corporation: Program Services	Supporting Services	Total	Eliminations	Consolidated
Salaries	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 30,384,666
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	11,247,039
Total personnel services expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	41,631,705
Professional fees and service payments	-	26,172	26,172	-	26,022	26,022	-	-	-	-	35,082	35,082	-	1,408,474
Rent	-	-	-	-	-	-	-	-	-	-	-	-	(116,423)	1,677,983
Heat and utilities	29,793	-	29,793	14,587	-	14,587	40,768	-	40,768	74,895	-	74,895	-	988,558
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	345,498
Transportation and travel	-	-	-	-	-	-	-	-	-	-	-	-	-	5,037,025
Repairs and maintenance	700	-	700	1,281	-	1,281	-	-	-	-	-	-	-	1,919,755
Staff training, conferences, and meetings	-	-	-	-	-	-	-	-	-	-	-	-	-	88,795
Stationery, postage and printing	-	-	-	-	-	-	-	-	-	-	-	-	-	22,794
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	841,342
Food	-	-	-	-	-	-	-	-	-	-	-	-	-	711,321
Food, facility and entertainment	-	-	-	-	-	-	-	-	-	-	-	-	-	77,864
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	492,679
Insurance	34,111	-	34,111	15,662	-	15,662	62,912	-	62,912	85,128	-	85,128	-	1,348,105
Interest	20,940	-	20,940	9,896	-	9,896	4	-	4	48,062	-	48,062	-	454,012
New York State health facility assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	533,010
Client wages	-	-	-	-	-	-	-	-	-	-	-	-	-	62,267
Management fee	-	4,224	4,224	-	3,996	3,996	-	-	-	-	18,792	18,792	(27,012)	-
Depreciation and amortization	3,194	-	3,194	1,515	-	1,515	-	-	-	2,431	-	2,431	-	1,622,547
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	281,941
Miscellaneous	-	-	-	-	-	-	-	1,907	1,907	-	42,265	42,265	-	630,436
	88,738	30,396	119,134	42,941	30,018	72,959	103,684	1,907	105,591	210,516	96,139	306,655	(143,435)	60,176,111
Less: cost of direct benefits of special events	-	-	-	-	-	-	-	-	-	-	-	-	-	(77,864)
Total Expenses	$ 88,738	$ 30,396	$ 119,134	$ 42,941	$ 30,018	$ 72,959	$ 103,684	$ 1,907	$ 105,591	$ 210,516	$ 96,139	$ 306,655	$ (143,435)	$ 60,098,247

See independent auditors' report.

**THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC.
AND RELATED ENTITIES**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC.
AND RELATED ENTITIES

CONTENTS

GRASSI & CO.
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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The Institutes of Applied Human Dynamics, Inc.
and Related Entities

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Institutes of Applied Human Dynamics, Inc. and Related Entities, which comprise the consolidated statements of financial position at June 30, 2019 and 2018, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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An Independent Firm Associated with Moore Stephens International Limited
488 Madison Avenue, 21st Floor
New York, NY 10022
(212) 661-6166 ▪ Fax (212) 755-6748
Offices: New York, NY; Jericho, NY; Park Ridge, NJ; White Plains, NY; Ronkonkoma, NY

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Institutes of Applied Human Dynamics, Inc. and Related Entities at June 30, 2019 and 2018, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, The Institutes of Applied Human Dynamics, Inc. and Related Entities adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14. Our opinion is not modified with respect to this matter.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
November 22, 2019

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,309,963	$ 1,718,750
Current portion of assets limited as to use (*Notes 4 and 11*)	924,593	834,071
Accounts receivable, net	5,946,393	5,661,613
Estimated amounts due from third party payers	234,968	434,280
Participant deposits	556,611	750,540
Prepaid expenses and other current assets	796,562	693,809
Total Current Assets	11,769,090	10,093,063
Assets limited as to use, net of current portion (*Notes 4 and 11*)	491,767	1,014,415
Property and equipment, net (*Note 5*)	16,838,409	13,931,887
	$ 29,099,266	$ 25,039,365
LIABILITIES AND NET ASSETS		
Current liabilities:		
Loans payable, current portion (*Note 6*)	$ 1,140,109	$ 1,691,850
Accounts payable and accrued expenses	6,007,432	5,091,399
Accrued payroll and related taxes	1,876,538	1,958,614
Accrued postretirement plan liability, current portion (*Note 12*)	66,840	53,110
Due to New York State (*Note 7*)	336,044	604,207
Deferred employee compensation plan liabilities *(Note 4)*	843,265	780,763
Participant deposits	556,611	750,540
Total Current Liabilities	10,826,839	10,930,483
Accrued postretirement plan liability, net of current portion (*Note 12*)	979,161	1,003,366
Loans payable, net of current portion (*Note 6*)	8,165,005	4,946,665
Total Liabilities	19,971,005	16,880,514
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	9,106,561	8,158,851
With donor restrictions	21,700	-
Total Net Assets	9,128,261	8,158,851
	$ 29,099,266	$ 25,039,365

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

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions
Revenue:				
Program service fees:				
Residential services	$ 39,083,610	$ -	$ 39,083,610	$ 37,561,974
Case management services	41,508	-	41,508	814,503
Day habilitation services	19,525,671	-	19,525,671	17,409,200
Prevocational services	1,559,001	-	1,559,001	1,601,566
Transportation services	-	-	-	8,124
Respite services	290,439	-	290,439	214,651
Self direction	42,778	-	42,778	72,658
Fundraising activities, net	266,907	21,700	288,607	250,361
Other revenue	238,408	-	238,408	168,081
Total Revenue	61,048,322	21,700	61,070,022	58,101,118
Expenses:				
Program services:				
Residential services	33,492,202	-	33,492,202	31,004,410
Case management services	-	-	-	666,237
Day habilitation services	18,148,969	-	18,148,969	19,460,701
Prevocational services	1,442,900	-	1,442,900	817,886
Respite services	144,181	-	144,181	224,995
Self direction	82,793	-	82,793	8,321
Other expenses	104,475	-	104,475	209,993
Total Program services	53,415,520	-	53,415,520	52,392,543
Supporting services:				
Management and general	6,446,665	-	6,446,665	6,782,095
Fundraising	236,062	-	236,062	142,539
Total Supporting services	6,682,727	-	6,682,727	6,924,634
Total Expenses	60,098,247	-	60,098,247	59,317,177
Change in net assets from operations	950,075	21,700	971,775	(1,216,059)
Change in postretirement liability to be recognized in future periods	(2,365)	-	(2,365)	383,851
Change in net assets	947,710	21,700	969,410	(832,208)
Net assets, beginning of year	8,158,851	-	8,158,851	8,991,059
Net assets, end of year	$ 9,106,561	$ 21,700	$ 9,128,261	$ 8,158,851

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

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services				
	Programs	Management and General	Fundraising	Direct Cost of Special Events	Total Supporting Services	Total
Salaries	$ 27,928,643	$ 2,365,781	$ 90,242	$ -	$ 2,456,023	$ 30,384,666
Employee benefits	10,338,092	871,395	37,552	-	908,947	11,247,039
Total personnel services expenses	38,266,735	3,237,176	127,794	-	3,364,970	41,631,705
Professional fees and service payments	509,427	834,594	64,453	-	899,047	1,408,474
Rent	1,242,917	435,066	-	-	435,066	1,677,983
Heat and utilities	885,223	103,335	-	-	103,335	988,558
Telephone	178,461	167,037	-	-	167,037	345,498
Transportation and travel	4,989,192	47,809	24	-	47,833	5,037,025
Repairs and maintenance	1,532,649	386,945	161	-	387,106	1,919,755
Staff training, conferences, and meetings	37,185	51,116	494	-	51,610	88,795
Stationery, postage and printing	221	22,573	-	-	22,573	22,794
Supplies	742,209	98,511	622	-	99,133	841,342
Food	680,089	30,462	770	-	31,232	711,321
Food, facility and entertainment	-	-	-	77,864	77,864	77,864
Recreation	460,585	32,034	60	-	32,094	492,679
Insurance	813,672	534,433	-	-	534,433	1,348,105
Interest	447,293	6,719	-	-	6,719	454,012
New York State health facility assessment	533,010	-	-	-	-	533,010
Client wages	62,267	-	-	-	-	62,267
Depreciation and amortization	1,443,367	179,180	-	-	179,180	1,622,547
Bad debt expense	281,941	-	-	-	-	281,941
Miscellaneous	309,077	279,675	41,684	-	321,359	630,436
	53,415,520	6,446,665	236,062	77,864	6,760,591	60,176,111
Less: Expenses deducted directly from revenues on the statement of activities						
Cost of direct benefits of special events	-	-	-	(77,864)	(77,864)	(77,864)
Total Expenses	$ 53,415,520	$ 6,446,665	$ 236,062	$ -	$ 6,682,727	$ 60,098,247

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

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THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services				
	Programs	Management and General	Fundraising	Direct Cost of Special Events	Total Supporting Services	Total
Salaries	$ 26,009,382	$ 3,059,847	$ 5,004	$ -	$ 3,064,851	$ 29,074,233
Employee benefits	10,614,730	1,248,759	2,042	-	1,250,801	11,865,531
Total personnel services expenses	36,624,112	4,308,606	7,046	-	4,315,652	40,939,764
Professional fees and service payments	524,162	583,049	38,460	-	621,509	1,145,671
Rent	1,219,675	450,482	-	-	450,482	1,670,157
Heat and utilities	957,396	16,636	-	-	16,636	974,032
Telephone	273,256	53,184	-	-	53,184	326,440
Transportation and travel	4,764,166	-	-	-	-	4,764,166
Repairs and maintenance	1,961,154	379,839	900	-	380,739	2,341,893
Staff training, conferences, and meetings	2,989	100,825	997	-	101,822	104,811
Stationery, postage and printing	22,527	3,417	-	-	3,417	25,944
Supplies	1,277,926	85,866	4,318	-	90,184	1,368,110
Food	628,175	28,190	440	-	28,630	656,805
Food, facility and entertainment	-	-	-	51,610	51,610	51,610
Recreation	227,982	44,144	118	-	44,262	272,244
Insurance	994,092	274,699	-	-	274,699	1,268,791
Interest	381,429	14,981	-	-	14,981	396,410
New York State health facility assessment	502,152	-	-	-	-	502,152
Client wages	55,409	(1,413)	-	-	(1,413)	53,996
Depreciation and amortization	1,423,633	183,166	-	-	183,166	1,606,799
Bad debt expense	362,605	-	-	-	-	362,605
Miscellaneous	189,703	256,424	90,260	-	346,684	536,387
	52,392,543	6,782,095	142,539	51,610	6,976,244	59,368,787
Less: Expenses deducted directly from revenues on the statement of activities						
Cost of direct benefits of special events	-	-	-	(51,610)	(51,610)	(51,610)
Total Expenses	$ 52,392,543	$ 6,782,095	$ 142,539	$ -	$ 6,924,634	$ 59,317,177

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 969,410	$ (832,208)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,622,547	1,606,799
Gain on sale of fixed assets	(15,000)	-
Bad debt expense	281,941	362,605
Accrued postretirement plan liability	(10,475)	(370,654)
Change in operating assets and liabilities:		
Accounts receivable	(566,721)	(1,467,157)
Estimated due from third party payers	199,312	1,055,347
Prepaid expenses and other assets	(102,753)	416,395
Accounts payable and accrued expenses	916,033	1,075,456
Accrued payroll and related taxes	(82,076)	329,901
Due to New York State	(268,163)	138,094
Deferred employee compensation plan liabilities	62,502	89,309
Net cash provided by operating activities	3,006,557	2,403,887
Cash flows from investing activities:		
Purchase of fixed assets	(4,514,069)	(1,459,381)
Increase of assets limited as to use	(62,502)	(80,625)
Usage of assets limited as to use	494,628	-
Net cash used in investing activities	(4,081,943)	(1,540,006)
Cash flows from financing activities:		
Proceeds from loans	3,249,977	277,675
Principal payments on loans	(583,378)	(2,050,860)
Net cash provided by (used in) financing activities	2,666,599	(1,773,185)
Net change in cash and cash equivalents	1,591,213	(909,304)
Cash and cash equivalents, beginning of year	1,718,750	2,628,054
Cash and cash equivalents, end of year	$ 3,309,963	$ 1,718,750
Supplemental disclosure of financial information:		
Cash paid for interest	$ 454,012	$ 396,410

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

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1 - Nature of Organization

The Institutes of Applied Human Dynamics, Inc. ("IAHD"), located in the Bronx and Westchester counties in New York, provide residential, educational, case management, day habilitation, vocational and other services to developmentally disabled citizens. IAHD is supported primarily by service fees paid by various New York State agencies and government grants including Medicaid and the New York State Office for People with Developmental Disabilities ("OPWDD").

IAHD is the sole member of 3680 Holding Company ("3680"). 3680's primary asset is the parking facility adjacent to 3625 Bainbridge Avenue. 3680 shares a common board with IAHD.

IAHD is the sole member of Dynamics Residence Corporation of Burke Avenue ("DRCBA"). DRCBA is a not-for-profit corporation consisting of 14 units whose principal purpose is to provide housing for persons with disabilities. The corporation holds title to the land and building located in New York. The construction of the building was financed through the U.S. Department of Housing and Urban Development ("HUD") in accordance with Section 202 of the Housing Act of 1959. The corporation is a Section 8 project regulated by HUD with respect to housing assistance payments for tenant charges and operating methods. The housing must remain available to eligible, very low income households in accordance with Section 202 for a period of 37 years beginning November 1987 and ending March 2025. DRCBA shares a common board with IAHD.

IAHD is the sole member of Habilitation Hostels Residence Corporation ("HHRC"). HHRC is a not-for-profit corporation consisting of 12 units whose principal purpose is to provide housing for persons with disabilities. The corporation holds title to the land and building located in New York. The construction of the building was financed through HUD in accordance with Section 202 of the Housing Act of 1959. The corporation is a Section 8 project regulated by HUD with respect to housing assistance payments for tenant charges and operating methods. The housing must remain available to eligible, very low income households in accordance with Section 202 for a period of 40 years beginning October 1983 and ending September 2023. HHRC shares a common board with IAHD.

IAHD is the sole member of Dynamics Hostels Residence Corporation ("DHRC"). DHRC is a not-for-profit corporation consisting of 42 units whose principal purpose is to provide housing for persons with disabilities. The corporation holds title to the land and buildings located in New York. The construction of the buildings was financed through HUD in accordance with Section 202 of the Housing Act of 1959. The corporation is a Section 8 project regulated by HUD with respect to housing assistance payments for tenant charges and operating methods. The housing must remain available to eligible, very low income households in accordance with Section 202 for a period of 40 years beginning March 1984 and ending February 2024. DHRC shares a common board with IAHD.

DRCBA, HHRC, and DHRC are funded primarily by housing assistance payments paid by tenants and HUD - Supportive Housing for Persons with Disabilities.

Note 1 - Nature of Organization (cont'd.)

IAHD, DRCBA, HHRC, and DHRC are tax exempt organizations under Section 501(c)(3) of the Internal Revenue Code. 3680 is a tax exempt organization under Section 501(c)(2) of the Internal Revenue Code.

Consolidated Financial Statements

The consolidated financial statements include the financial position, changes in net assets, cash flows and functional expenses of IAHD, DRCBA, HHRC, DHRC and 3680 (the "Consolidated Group"). All intercompany transactions have been eliminated.

Note 2 - Summary of Significant Accounting Policies

Adoption of FASB ASU No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*

Effective July 1, 2018, the Consolidated Group adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14. The ASU provides for changes in financial statement presentation that affect classification of net assets and presentation of expenses. It also provides for enhanced disclosures of methods used to allocate costs among functions and available resources and liquidity.

Basis of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Consolidated Group classifies as cash and cash equivalents all highly liquid investments with initial maturities of three months or less when purchased.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments (cont'd.)

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Consolidated Group's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At June 30, 2019 and 2018, the fair value of the Consolidated Group's financial instruments, including cash and cash equivalents, accounts receivable, due from third party payers, participant deposits, accounts payable and accrued expenses, accrued payroll and related taxes, and due to New York State, approximated book value due to the short maturity of these instruments.

See Note 13 - Investments/Fair Value Measurements for assets measured at fair value.

Accounts Receivable, Allowance for Doubtful Accounts and Revenue Recognition

The Consolidated Group records receivables and revenue when earned based on established rates for service provided. The allowance for doubtful accounts estimate is based on management's assessment of the historical and expected net collections, economic conditions and other collection indicators. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. Interest income is not accrued or recorded on accounts receivable. As of June 30, 2019 and 2018, the Consolidated Group has recorded an allowance for doubtful accounts of $284,241 and $584,050, respectively.

Revenues and receivables from the Medicaid program accounted for approximately 98% of the Consolidated Group's program service revenue and receivables for both years ended June 30, 2019 and 2018. The Consolidated Group is paid for most services rendered to Medicaid program beneficiaries based on prospectively determined rates per unit of service. New York State Medicaid regulations provide for certain adjustments to current and prior years' reimbursement rates based on industry-wide and organization-specific data. The accompanying consolidated financial statements reflect reasonably estimated provisions for such adjustments under the Medicaid Program.

Laws and regulations governing the Medicaid program are extremely 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 Consolidated Group believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that could have a material adverse effect on the accompanying consolidated financial statements.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Consolidated Group. Those expenses include personnel services expenses and general operating expenses. Shared staff include program administration and support staff, and maintenance staff. Residential staff are allocated based on total operating costs of each program and the certified capacity of each program. Day program staff are allocated based on the capacity of each program. Maintenance staff are allocated based on a square footage basis. All other staff are allocated using a percentage of the total operating cost and based on capacity. General operating expenses are allocated based upon the methodology set forth by the New York State Consolidated Fiscal Report Instruction Manual, Appendix J.

Property and Equipment

Property and equipment is recorded at cost, except donated assets which are recorded at fair value at date of donation. Depreciation expense is calculated on the straight-line method over the estimated useful life of the asset (ranging from 1 to 40 years). Assets acquired through capitalized leases are recorded at the present value of the lease payments at the inception of the lease and are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The Consolidated Group capitalizes all purchases of property and equipment equal to or in excess of $1,000 and an estimated useful life of more than one year. The carrying amount of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of, and any resulting gain or loss is included in operations.

Assets Limited as to Use

Assets limited as to use are reported in the consolidated statements of financial position at fair value and include assets related to deferred compensation and assets subject to regulatory agreements.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Assets Limited as to Use (cont'd.)

Under terms with the Dormitory Authority of the State of New York ("DASNY'), IAHD has deposited cash with a trustee to be held in reserve to satisfy the final payment installment of mortgages issued through DASNY.

In accordance with agreements between the Consolidated Group and HUD, the Consolidated Group established a capital reserve account to be used for the replacement of designated property and equipment. The Consolidated Group makes monthly deposits into the capital reserve account and withdrawals from the account require HUD approval.

Assets limited as to use consist of cash, money market funds and marketable securities.

Net Assets

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose, or those net assets whose principal may or may not be expended, the income from which is expendable to support general operations.

Third-Party Reimbursement

The Consolidated Group receives substantially all its revenue for services provided to approved clients from third-party reimbursement agencies, primarily OPWDD, the Department of Health ("DOH"), and Medicaid. These revenues are subject to audit and retroactive adjustment by the respective third-party intermediary.

Leases

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Capital leases are recorded at the lower of the fair market value of the assets or the present value of the minimum lease payments and are amortized over the lease term or estimated useful life of the assets, whichever is shorter, unless the lease provides for transfer of title or includes a bargain purchase option, in which case the lease is amortized over the estimated useful life of the asset. Operating lease payments are charged to rental expense. Operating lease expense has been recorded on the straight-line basis over the life of the leases, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Self-Insured Medical Plan

Under IAHD's plan, medical insurance coverage was obtained for each employee so that exposure to excessive medical expenses is capped in conjunction with certain stop-loss provisions. A stop-loss policy is in effect, which limits IAHD's loss per individual employee to $150,000 and $3,589,883 in the aggregate. IAHD is solely responsible for all claims incurred up to the amount of the stop-loss provisions. Provisions for expenses expected under this program were recorded based upon IAHD's estimate of the aggregate liability for claims incurred. As of June 30, 2019 and 2018, IAHD recorded an accrual provision for incurred-but-not-reported ("IBNR") medical claims of $584,437 and $540,344, respectively.

Performance Indicator

The consolidated statement of activities includes change in net assets from operations as the performance indicator. Amounts excluded from the performance indicator include the change in postretirement benefit liability to be recognized in future periods. Transactions deemed by management to be ongoing, major or central to the provision of services are reported within change in net assets from operations. Peripheral or incidental transactions are excluded from change in net assets from operations.

Accounting for Uncertainty in Income Taxes

The Consolidated Group applies the provisions pertaining to uncertain tax provisions under FASB Accounting Standards Codification ("ASC") Topic 740 and has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. The Consolidated Group is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Consolidated Group believes it is no longer subject to income tax examinations prior to 2016.

New Accounting Pronouncements

ASU No. 2016-18

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. This ASU requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. Current guidance does not specify how to present restricted cash and restricted cash equivalents in the statement of cash flows, thus there is diversity in practice.

The amendments in ASU No. 2016-18 should be applied using a retrospective transition method to each period presented and are effective for nonpublic entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases.*

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early application is permitted for all entities.

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This ASU is the result of a joint project of the FASB and the IASB to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

Step 1: Identify the contract with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.

The Consolidated Group has not yet determined if these ASUs will have a material effect on its consolidated financial statements.

Note 3 - Concentration of Credit Risk

The Consolidated Group maintains cash on deposit with major banks; however, such deposits exceed federally insured limits, which is $250,000 per institution.

Note 4 - Assets Limited as to Use

Assets limited as to use consist of the following:

	2019	2018
Under governmental regulatory agreements:		
Cash and money market funds	$ 573,095	$ 1,067,723
Under deferred compensation plans:		
Equities	843,265	780,763
Total assets limited as to use	1,416,360	1,848,486
Less: Current portion of assets limited as to use	924,593	834,071
Noncurrent assets limited as to use	$ 491,767	$ 1,014,415

Note 5 - Property and Equipment

Property and equipment, net, consists of the following:

	2019	2018
Land	$ 3,278,883	$ 3,153,883
Buildings	18,961,060	17,210,255
Building improvements	6,559,754	5,513,007
Leasehold improvements	5,991,198	5,942,891
Equipment	3,528,826	3,378,687
Vans and other vehicles	2,432,171	2,070,769
Construction in progress	1,162,947	160,259
	41,914,839	37,429,751
Less: Accumulated depreciation and amortization	25,076,430	23,497,864
	$ 16,838,409	$ 13,931,887

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was $1,622,547 and $1,606,799, respectively.

As of June 30, 2019, the estimated cost to complete home renovations approximated $142,000.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 6 - Loans Payable

Loans payable at June 30, 2019 and 2018 are summarized as follows:

	2019	2018
Mortgage agreements with DASNY include original principal amounts of $555,500 and $1,484,000, which bear interest at the rate of 7.39% and 5.34%, respectively, and are payable in semiannual installments of principal and interest until February 2018 and August 2019, respectively. Principal payments range from $6,400 to $80,000 semi-annually. The mortgages are collateralized by the related property at June 30, 2019 and 2018.	$ 34,000	$ 194,000
Vehicle notes payable in various monthly installments at various rates ranging from 0% to 7.99%, with final payment due dates through June 2023. All notes are collateralized by the vehicles at June 30, 2019 and 2018.	284,787	273,942
Mortgage agreements with a financial institution are payable in monthly installments ranging from $2,885 to $14,313, with interest ranging from 4.75% to 7.5% per annum. The mortgages began to mature in 2015 and will continue to mature through 2027. The mortgages are collateralized by the related property at June 30, 2019 and 2018.	2,812,466	3,908,520
Mortgage agreements through HUD in accordance with Section 202 of the Housing Act of 1959 include original principal amounts that range from $292,400 to $1,423,000, through 2025. Monthly payments vary from $2,312 to $3,968, with an interest rate of 9.25%. The mortgages are collateralized by the related property at June 30, 2019 and 2018.	791,827	947,133
In September 2017, IAHD executed a renovation loan agreement with a financial institution that matures on December 1, 2018. Under the agreement, IAHD may elect to convert the renovation loan to a 25-year note bearing interest that shall reset at specific measurement dates indexed from designated LIBOR Swap Rates. The loan is collateralized by the related property at June 30, 2019.	1,984,760	1,140,228
Mortgage agreements with a financial instutition are payable in monthly installments ranging from $6,668 to $18,145, with interest ranging from 4.605% to 5.40% per annum. The mortgages began to mature in 2018 and will continue to mature through 2043. The mortgages are collateralized by the related property at June 30, 2019.	3,243,748	-
Various unsecured notes are payable to a financial institution and are due in monthly principal installments ranging from $1,625 to $4,924 with interest varying from 3.39% to 3.83% through February 2020.	153,526	174,692
	9,305,114	6,638,515
Less: Current portion	1,140,109	1,691,850
Long-Term Debt	$ 8,165,005	$ 4,946,665

Note 6 - Loans Payable (cont'd.)

Required principal payments on loans payable at June 30, 2019 are as follows:

Years Ending June 30:	
2020	$ 1,140,109
2021	1,006,079
2022	907,597
2023	822,377
2024	681,731
Thereafter	4,747,221
	$ 9,305,114

Note 7 - Due To New York State

IAHD has entered into contracts with OPWDD for the operation of several residential sites. As part of the agreement, OPWDD advanced funds to IAHD for equipment and rehabilitation. Liabilities are also recorded for the New York State facility assessment tax and amounts due to DASNY. In addition, IAHD has received certain funds through its reimbursement rates that represent overpayment for residential programs. These liabilities, totaling $0 and $268,163 for the years ended June 30, 2019 and 2018, respectively, will be paid back through recoupments by OPWDD.

In prior years, the New York State Office of the State Comptroller ("OSC") conducted an audit of IAHD's preschool program for the three years ended June 30, 2013. During 2015, IAHD received the final audit report, as issued by OSC. The audit report identified expense disallowances in the preschool program. The cumulative disallowance, as calculated by SED for the years ended June 30, 2011 through 2015 totaled $336,044. This amount has been recorded in these financial statements for the years ended June 30, 2019 and 2018.

Note 8 - Line of Credit

The Consolidated Group maintained a $3,000,000 line of credit with a major bank that expired in February 2019. The Consolidated Group obtained a $4,000,000 revolving loan with a major bank that expires in February 2020 and bears interest at the prime rate, which was 5.50% at June 30, 2019. At June 30, 2019 and 2018, no amounts were drawn down against the line of credit.

Note 9 - Related Party Transactions

For entity-specific accounting purposes, the entities within the Consolidated Group periodically assess the collectability of amounts due from related organizations to state the receivables at their estimated net realizable value. Allowances for potential uncollectible amounts have been recorded when deemed necessary.

Two family members of a Director of IAHD's Board work for the organization. Their compensation and fringe benefits totaled $212,686 and $208,597 for the years ended June 30, 2019 and 2018, respectively. One member of the Board of Directors is the Vice President of a company who provides cleaning goods and supplies to IAHD totaling $200,577 and $294,489 during the years ended June 30, 2019 and 2018, respectively. Another member of the Board of Directors' son owns a company who provides pharmaceuticals to IAHD totaling $52,238 and $51,652 during the years ended June 30, 2019 and 2018, respectively.

Note 10 - Leased Facilities

The Consolidated Group entered into various operating leases for buildings located in New York for administrative and programmatic uses. In addition, the Consolidated Group rents program and office space on a month-to-month basis. The Consolidated Group also has entered into various lease agreements for equipment and vehicles. All leases are non-cancellable and extend through September 30, 2023.

Rent expense for the years ended June 30, 2019 and 2018 was $1,677,983 and $1,670,157, respectively. Minimum annual payments at June 30, 2019 are as follows:

Years Ending June 30:	
2020	$ 1,678,764
2021	1,587,500
2022	1,560,546
2023	1,605,629
2024	996,753
	$ 7,429,192

Note 11 - Employee Benefit Plans

Defined Contribution Plan

IAHD's retirement expense is based upon annual employer contributions determined by the Board of Directors. The contributions are then made to a qualified deferred contribution plan, as defined by Internal Revenue Code Section 403(b). Accordingly, for the years ended June 30, 2019 and 2018, IAHD recorded a pension contribution equal to 4% of eligible participants' compensation. Pension expense under this plan for the years ended June 30, 2019 and 2018 was $281,480 and $399,825, respectively. A liability of $448,254 and $459,695 has been recorded at June 30, 2019 and 2018, respectively, for the defined contribution plan.

Multiple-Employer Defined Benefit Plan

IAHD contributes to the Local 338 Retirement Plan (the "Plan"), a multiple-employer defined benefit pension plan, under the terms of a participation agreement for its employees. The risks of participating in this multiple-employer plan are different from a single-employer plan in the following aspects:

a. Assets contributed to the 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 IAHD chooses to stop participating in the plan, IAHD may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Note 11 - Employee Benefit Plans (cont'd.)

Multiple-Employer Defined Benefit Plan (cont'd.)

IAHD's participation in this plan for the annual periods ended June 30, 2019 and 2018, is outlined in the tables below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2019 is for the plan's year-end at December 31, 2018. The zone status is based on information that IAHD received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are 65 percent to 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

2019

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented	Contributions	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Local 338 Retirement Plan	EIN 13-6533678 Plan No. 001	Green	N/A	$ 862,691	N/A	June 30, 2020

2018

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status 2014	FIP/RP Status Pending/ Implemented	Contributions	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Local 338 Retirement Plan	EIN 13-6533678 Plan No. 001	Green	N/A	$ 812,959	No	December 3, 2018

The number of employees increased from 2018 to 2019, which when coupled with changes in the contribution rate, affected the year-to-year comparability of the contributions for 2019 and 2018.

Note 11 - Employee Benefit Plans (cont'd.)

Deferred Compensation Plan

Certain Consolidated Group employees participate in a deferred compensation plan established pursuant to Section 457 of the Internal Revenue Code. In connection with this plan, the Consolidated Group deposits amounts with trustees on behalf of the participating employees. Under the terms of the plan, the Consolidated Group is not responsible for investment gains or losses incurred. The assets set aside under the plan are designated for payment under the plan, but may revert to the Consolidated Group under certain specified circumstances. At June 30, 2019 and 2018, amounts on deposit with the trustees (at fair value) were equal to the liability under the plan and reported as assets limited as to use and deferred employee compensation plan liabilities on the consolidated statements of financial position. Additionally, investment return related to such assets and the associated employee benefits expense for this plan totaled $39,692 and $58,078 for the years ended June 30, 2019 and 2018, respectively.

Note 12 - Postretirement Benefits

IAHD provides certain benefits to nine non-union employees who have completed 20 years of service and have retired from IAHD. The benefit provided is currently a Medicare supplemental plan.

The reconciliation of the beginning and ending balances of the benefit obligation and the fair value of the plan's assets for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Benefit obligation:		
Benefit obligation, beginning of year	$ 1,056,476	$ 1,427,130
Service cost	-	-
Interest cost	40,270	44,069
Actuarial loss (gain)	2,365	(375,617)
Benefits paid	(53,110)	(39,106)
Benefit obligation, end of year	1,046,001	1,056,476
Fair value of plan assets:		
Employer contributions	53,110	39,106
Actual return on plan assets	-	-
Benefits paid	(53,110)	(39,106)
Fair value of plan assets, end of year	-	-
Funded status	$ 1,046,001	$ 1,056,476

Note 12 - Postretirement Benefits (cont'd.)

Included in other changes in net assets without donor restrictions at June 30, 2019 and 2018 are the following amounts that have not yet been recognized in net periodic postretirement cost:

	2019	2018
Unrecognized actuarial (gain) / loss	$ (1,692)	$ (4,057)

The unrecognized actuarial loss and prior service cost included in changes in net assets at June 30, 2019 and expected to be recognized in net periodic postretirement cost during the year ending June 30, 2020 is $0.

Net periodic postretirement benefit cost for the years ended June 30, 2019 and 2018 was determined using a discount rate of 3.91 percent and 3.53 percent, respectively. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 3.38 percent at June 30, 2019 and 3.91 percent at June 30, 2018. Components of net periodic postretirement cost are as follows:

	2019	2018
Service cost	$ -	$ -
Interest cost	40,270	44,069
Expected return on plan assets	-	-
Amortization of prior service cost	-	-
Amortization of net loss	-	8,234
	$ 40,270	$ 52,303

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 6.75 percent for pre-65 years of age, 4.75 percent for post-65, and 9.00 percent for prescription drugs for 2019 and is assumed to decrease gradually to 3.784 percent for all groups in 2075, which is the year the rate reaches the ultimate trend rate, and remain at that level thereafter.

The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation at June 30, 2019 by $113,474, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2019 by $4,254. Decreasing the assumed health care cost trend rates by one percentage point in each year would decrease the accumulated postretirement benefit obligation at June 30, 2019 by $98,318, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2019 by $3,685.

IAHD expects to contribute $66,840 to its postretirement benefit plan in fiscal 2020 and the amount is included in the current portion of accrued postretirement payable.

Note 12 - Postretirement Benefits (cont'd.)

The Consolidated Group expects to pay the following benefit payments, which reflect expected future services, as appropriate:

Years Ending June 30:	
2020	$ 66,840
2021	81,919
2022	84,993
2023	87,783
2024	68,397
2025-2029	335,434
	$ 725,366

Note 13 - Investments/Fair Value Measurements

The Consolidated Group measures its securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect the Consolidated Group's own assumptions of market participant valuation (unobservable inputs).

Items Measured at Fair Value on a Recurring Basis

The following table presents the Consolidated Group's assets that are measured at fair value on a recurring basis at June 30, 2019 and 2018:

	2019			
	Total	Level 1	Level 2	Level 3
Equities	$ 843,265	$ 843,265	$ -	$ -

	2018			
	Total	Level 1	Level 2	Level 3
Equities	$ 780,763	$ 780,763	$ -	$ -

The resulting asset is included in assets limited as to use on the consolidated statements of financial position.

Note 14 - Contingencies

Revenues and receivables arising from programs funded by government agencies are dependent upon final audit and negotiations between the Consolidated Group and the various government agencies. Management believes that any rate adjustment would be insignificant and, accordingly, management has not included a reserve for potential rate adjustments in these consolidated financial statements.

Laws and regulations governing the Consolidated Group's programs are extremely 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. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from the Medicaid program.

As of June 30, 2019 and 2018, the Consolidated Group is party to various litigations which, in the opinion of management and legal counsel, will not have a material adverse impact on the financial position of the Consolidated Group.

Note 15 - Available Resources and Liquidity

The Consolidated Group regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Consolidated Group has various sources of liquidity at its disposal, including cash and cash equivalents, investments, assets limited as to use and a line of credit. See Note 8 for information about the Consolidated Group's line of credit.

The following reflects the Consolidated Group's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

Current assets, excluding non-financial assets	
Cash and cash equivalents	$ 3,309,963
Accounts receivable, net	5,946,393
Estimated amounts due from third party payers	234,968
Total Financial Assets	9,491,324
Less: Donor restrictions	(21,700)
Financial assets available to meet cash needs for general expenditures within one year	$ 9,469,624

Note 16 - Subsequent Events

The Consolidated Group has evaluated all events or transactions that occurred after June 30, 2019 through November 22, 2019, the date that these consolidated financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.

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THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC.
AND RELATED ENTITIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC.
AND RELATED ENTITIES

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The Institutes of Applied Human Dynamics, Inc.
and Related Entities

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Institutes of Applied Human Dynamics, Inc. and Related Entities, which comprise the consolidated statements of financial position at June 30, 2018 and 2017, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

www.grassicpas.com
An Independent Firm Associated with Moore Stephens International Limited
488 Madison Avenue, 21st Floor
New York, NY 10022
(212) 661-6166 ▪ Fax (212) 755-6748
Offices: New York, NY Jericho, NY Park Ridge, NJ White Plains, NY Ronkonkoma, NY

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Institutes of Applied Human Dynamics, Inc. and Related Entities at June 30, 2018 and 2017, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, consolidating statements of activities, and consolidating schedules of functional expenses, 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 audits 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.

Grassi & Co, CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
November 30, 2018

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30: 2018	June 30: 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,718,750	$ 2,628,054
Current portion of assets limited as to use (*Notes 4 and 11*)	834,071	775,969
Accounts receivable, net	5,661,613	4,557,061
Estimated amounts due from third party payers	434,280	1,489,627
Participant deposits	750,540	844,078
Prepaid expenses and other current assets	693,809	1,110,204
Total Current Assets	10,093,063	11,404,993
Assets limited as to use, net of current portion (*Notes 4 and 11*)	1,014,415	991,892
Property and equipment, net (*Note 5*)	13,931,887	12,939,077
	$ 25,039,365	$ 25,335,962
LIABILITIES AND NET ASSETS		
Current liabilities:		
Loans payable, current portion (*Note 6*)	$ 1,691,850	$ 1,905,872
Accounts payable and accrued expenses	5,091,399	4,015,943
Accrued payroll and related taxes	1,958,614	1,628,713
Accrued postretirement plan liability, current portion (*Note 12*)	53,110	54,836
Due to New York State (*Note 7*)	604,207	466,113
Deferred employee compensation plan liabilities *(Note 4)*	780,763	691,454
Participant deposits	750,540	844,078
Total Current Liabilities	10,930,483	9,607,009
Accrued postretirement plan liability, net of current portion (*Note 12*)	1,003,366	1,372,294
Loans payable, net of current portion (*Note 6*)	4,946,665	5,365,600
Total Liabilities	16,880,514	16,344,903
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	8,158,851	8,991,059
	$ 25,039,365	$ 25,335,962

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

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Years Ended June 30: 2018	Years Ended June 30: 2017
Revenue:		
Program service fees:		
Residential services	$ 37,561,974	$ 35,302,230
Case management services	814,503	638,231
Day habilitation services	17,409,200	13,538,287
Prevocational services	1,601,566	1,172,797
Transportation services	8,124	3,706,850
Self direction	72,658	23,713
Respite services	214,651	118,759
Fundraising activities, net	250,361	214,997
Other revenue	168,081	252,301
Total Revenue	58,101,118	54,968,165
Expenses:		
Program services:		
Residential services	31,004,410	28,533,140
Case management services	666,237	457,122
Day habilitation services	19,460,701	18,207,475
Prevocational services	817,886	807,858
Transportation services	-	193,690
Respite services	224,995	236,538
Self direction	8,321	9,795
Other expenses	209,993	196,659
Total Program services	52,392,543	48,642,277
Supporting services:		
Management and general	6,782,095	5,830,155
Fundraising	142,539	102,384
Total Supporting services	6,924,634	5,932,539
Total Expenses	59,317,177	54,574,816
Change in net assets from operations	(1,216,059)	393,349
Change in postretirement liability to be recognized in future periods	383,851	127,152
Change in unrestricted net assets	(832,208)	520,501
Net assets, beginning of year	8,991,059	8,470,558
Net assets, end of year	$ 8,158,851	$ 8,991,059

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

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30: 2018	2017
Cash flows from operating activities:		
Change in net assets	$ (832,208)	$ 520,501
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,606,799	1,616,212
Bad debt expense	362,605	774,094
Accrued postretirement plan liability	(370,654)	(84,144)
Change in operating assets and liabilities:		
Accounts receivable	(1,467,157)	1,449,910
Estimated due from third party payers	1,055,347	(369,683)
Prepaid expenses and other assets	416,395	(793,750)
Accounts payable and accrued expenses	1,075,456	(418,151)
Accrued payroll and related taxes	329,901	(760,783)
Due to New York State	138,094	(255,931)
Deferred employee compensation plan liabilities	89,309	109,425
Net cash provided by operating activities	2,403,887	1,787,700
Cash flows from investing activities:		
Purchase of fixed assets	(1,459,381)	(109,266)
Purchase of assets limited as to use	(80,625)	(450,399)
Net cash used in investing activities	(1,540,006)	(559,665)
Cash flows from financing activities:		
Repayments of line of credit	-	(750,000)
Proceeds from loans	277,675	27,747
Principal payments on loans	(2,050,860)	(1,337,133)
Net cash used in financing activities	(1,773,185)	(2,059,386)
Net decrease in cash and cash equivalents	(909,304)	(831,351)
Cash and cash equivalents, beginning of year	2,628,054	3,459,405
Cash and cash equivalents, end of year	$ 1,718,750	$ 2,628,054
Supplemental disclosure of financial information:		
Cash paid for interest	$ 396,410	$ 426,677
Noncash investing and financing activities:		
Assets acquired under capital lease obligations	$ 1,140,228	$ 1,588,617

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

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THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services				
	Programs	Management and General	Fundraising	Direct Cost of Special Events	Total Supporting Services	Total
Salaries	$ 26,009,382	$ 3,059,847	$ 5,004	$ -	$ 3,064,851	$ 29,074,233
Employee benefits	10,614,730	1,248,759	2,042	-	1,250,801	11,865,531
Total personnel services expenses	36,624,112	4,308,606	7,046	-	4,315,652	40,939,764
Professional fees and service payments	524,162	583,049	38,460	-	621,509	1,145,671
Rent	1,219,675	450,482	-	-	450,482	1,670,157
Heat and utilities	957,396	16,636	-	-	16,636	974,032
Telephone	273,256	53,184	-	-	53,184	326,440
Transportation and travel	4,764,166	-	-	-	-	4,764,166
Repairs and maintenance	1,961,154	379,839	900	-	380,739	2,341,893
Staff training, conferences, and meetings	2,989	100,825	997	-	101,822	104,811
Stationery, postage and printing	22,527	3,417	-	-	3,417	25,944
Supplies	1,277,926	85,866	4,318	-	90,184	1,368,110
Food	628,175	28,190	440	-	28,630	656,805
Food, facility and entertainment	-	-	-	51,610	51,610	51,610
Recreation	227,982	44,144	118	-	44,262	272,244
Insurance	994,092	274,699	-	-	274,699	1,268,791
Interest	381,429	14,981	-	-	14,981	396,410
Recruitment	-	-	-	-	-	-
New York State health facility assessment	502,152	-	-	-	-	502,152
Client wages	55,409	(1,413)	-	-	(1,413)	53,996
Depreciation and amortization	1,423,633	183,166	-	-	183,166	1,606,799
Bad debt expense	362,605	-	-	-	-	362,605
Miscellaneous	189,703	256,424	90,260	-	346,684	536,387
	52,392,543	6,782,095	142,539	51,610	6,976,244	59,368,787
Less: Expenses deducted directly from revenues on the statement of activities						
Cost of direct benefits of special events	-	-	-	(51,610)	(51,610)	(51,610)
Total expenses	$ 52,392,543	$ 6,782,095	$ 142,539	$ -	$ 6,924,634	$ 59,317,177

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

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services				
	Programs	Management and General	Fundraising	Direct Cost of Special Events	Total Supporting Services	Total
Salaries	$ 24,566,515	$ 2,799,863	$ 41,872	$ -	$ 2,841,735	$ 27,408,250
Employee benefits	8,458,371	1,089,558	15,736	-	1,105,294	9,563,665
Total personnel services expenses	33,024,886	3,889,421	57,608	-	3,947,029	36,971,915
Professional fees and service payments	275,520	656,727	6,188	-	662,915	938,435
Rent	1,412,876	436,249	-	-	436,249	1,849,125
Heat and utilities	947,281	11,920	-	-	11,920	959,201
Telephone	294,260	21,009	-	-	21,009	315,269
Transportation and travel	4,052,650	25,865	-	-	25,865	4,078,515
Repairs and maintenance	1,766,680	131,599	939	-	132,538	1,899,218
Staff training, conferences, and meetings	51,019	107,047	1,255	-	108,302	159,321
Stationery, postage and printing	18,164	590	-	-	590	18,754
Supplies	1,436,406	-	1,968	-	1,968	1,438,374
Food	700,223	22,084	-	-	22,084	722,307
Food, facility and entertainment	-	-	-	58,363	58,363	58,363
Recreation	226,168	15,318	-	-	15,318	241,486
Insurance	1,025,120	229,336	-	-	229,336	1,254,456
Interest	404,171	22,506	-	-	22,506	426,677
Recruitment	-	3,684	-	-	3,684	3,684
New York State health facility assessment	495,348	-	-	-	-	495,348
Client wages	103,676	1,413	-	-	1,413	105,089
Depreciation and amortization	1,385,651	230,561	-	-	230,561	1,616,212
Bad debt expense	774,094	-	-	-	-	774,094
Miscellaneous	248,084	24,826	34,426	-	59,252	307,336
	48,642,277	5,830,155	102,384	58,363	5,990,902	54,633,179
Less: Expenses deducted directly from revenues on the statement of activities						
Cost of direct benefits of special events	-	-	-	(58,363)	(58,363)	(58,363)
Total expenses	$ 48,642,277	$ 5,830,155	$ 102,384	$ -	$ 5,932,539	$ 54,574,816

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

Note 1 - Nature of Organization

The Institutes of Applied Human Dynamics, Inc. ("IAHD"), located in the Bronx and Westchester counties in New York, provide residential, educational, case management, day habilitation, vocational and other services to developmentally disabled citizens. IAHD is supported primarily by service fees paid by various New York State agencies and government grants including Medicaid, the New York State Department of Education ("SED"), and the New York State Office for People with Developmental Disabilities ("OPWDD").

IAHD is the sole member of 3680 Holding Company ("3680"). 3680's primary asset is the parking facility adjacent to 3625 Bainbridge Avenue. 3680 shares a common board with IAHD.

IAHD is the sole member of Dynamics Residence Corporation of Burke Avenue ("DRCBA"). DRCBA is a not-for-profit corporation consisting of 14 units whose principal purpose is to provide housing for persons with disabilities. The corporation holds title to the land and building located in New York. The construction of the building was financed through the U.S. Department of Housing and Urban Development ("HUD") in accordance with Section 202 of the Housing Act of 1959. The corporation is a Section 8 project regulated by HUD with respect to housing assistance payments for tenant charges and operating methods. The housing must remain available to eligible, very low income households in accordance with Section 202 for a period of 37 years beginning November 1987 and ending March 2025. DRCBA shares a common board with IAHD.

IAHD is the sole member of Habilitation Hostels Residence Corporation ("HHRC"). HHRC is a not-for-profit corporation consisting of 12 units whose principal purpose is to provide housing for persons with disabilities. The corporation holds title to the land and building located in New York. The construction of the building was financed through HUD in accordance with Section 202 of the Housing Act of 1959. The corporation is a Section 8 project regulated by HUD with respect to housing assistance payments for tenant charges and operating methods. The housing must remain available to eligible, very low income households in accordance with Section 202 for a period of 40 years beginning October 1983 and ending September 2023. HHRC shares a common board with IAHD.

IAHD is the sole member of Dynamics Hostels Residence Corporation ("DHRC"). DHRC is a not-for-profit corporation consisting of 42 units whose principal purpose is to provide housing for persons with disabilities. The corporation holds title to the land and buildings located in New York. The construction of the buildings was financed through HUD in accordance with Section 202 of the Housing Act of 1959. The corporation is a Section 8 project regulated by HUD with respect to housing assistance payments for tenant charges and operating methods. The housing must remain available to eligible, very low income households in accordance with Section 202 for a period of 40 years beginning March 1984 and ending February 2024. DHRC shares a common board with IAHD.

DRCBA, HHRC, and DHRC are funded primarily by housing assistance payments paid by tenants and HUD - Supportive Housing for Persons with Disabilities.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1 - Nature of Organization (cont'd.)

IAHD, DRCBA, HHRC, and DHRC are tax exempt organizations under Section 501(c)(3) of the Internal Revenue Code. 3680 is a tax exempt organization under Section 501(c)(2) of the Internal Revenue Code.

Consolidated Financial Statements

The consolidated financial statements include the financial position, changes in net assets, cash flows and functional expenses of IAHD, DRCBA, HHRC, DHRC and 3680 (the "Consolidated Group"). All intercompany transactions have been eliminated.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Consolidated Group classifies as cash and cash equivalents all highly liquid investments with initial maturities of three months or less when purchased.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments (cont'd.)

Level 3 - Valuations based on unobservable inputs reflecting the Consolidated Group's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At June 30, 2018 and 2017, the fair value of the Consolidated Group's financial instruments, including cash and cash equivalents, accounts receivable, due from third party payers, prepaid expenses and other current assets, participant deposits, assets limited as to use, accounts payable and accrued expenses, accrued payroll and related taxes, deferred employee compensation plan liabilities and due to New York State, approximated book value due to the short maturity of these instruments.

See Note 13 - Investments/Fair Value Measurements for assets measured at fair value.

Accounts Receivable, Allowance for Doubtful Accounts and Revenue Recognition

The Consolidated Group records receivables and revenue when earned based on established rates for service provided. The allowance for doubtful accounts estimate is based on management's assessment of the historical and expected net collections, economic conditions and other collection indicators. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. Interest income is not accrued or recorded on accounts receivable. As of June 30, 2018 and 2017, the Consolidated Group has recorded an allowance for doubtful accounts of $584,050 and $403,187, respectively.

Revenues and receivables from the Medicaid program accounted for approximately 98% and 90% of the Consolidated Group's program service revenue and receivables, respectively, for each of the years ended June 30, 2018 and 2017. The Consolidated Group is paid for most services rendered to Medicaid program beneficiaries based on prospectively determined rates per unit of service. New York State Medicaid regulations provide for certain adjustments to current and prior years' reimbursement rates based on industry-wide and organization-specific data. The accompanying consolidated financial statements reflect reasonably estimated provisions for such adjustments under the Medicaid Program.

Laws and regulations governing the Medicaid program are extremely 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 Consolidated Group believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that could have a material adverse effect on the accompanying consolidated financial statements.

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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Note 2 - Summary of Significant Accounting Policies (cont'd.)

Property and Equipment

Property and equipment is recorded at cost, except donated assets which are recorded at fair value at date of donation. Depreciation expense is calculated on the straight-line method over the estimated useful life of the asset (ranging from 1 to 40 years). Assets acquired through capitalized leases are recorded at the present value of the lease payments at the inception of the lease and are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The Consolidated Group capitalizes all purchases of property and equipment equal to or in excess of $1,000 and an estimated useful life of more than one year. The carrying amount of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of, and any resulting gain or loss is included in operations.

Assets Limited as to Use

Assets limited as to use are reported in the consolidated statements of financial position at fair value and include assets related to deferred compensation and assets subject to regulatory agreements.

Under terms with the Dormitory Authority of the State of New York ("DASNY'), IAHD has deposited cash with a trustee to be held in reserve to satisfy the final payment installment of mortgages issued through DASNY.

In accordance with agreements between the Consolidated Group and HUD, the Consolidated Group established a capital reserve account to be used for the replacement of designated property and equipment. The Consolidated Group makes monthly deposits into the capital reserve account and withdrawals from the account require HUD approval.

Assets limited as to use consist of cash, money market funds and marketable securities.

Net Assets

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

Third-Party Reimbursement

The Consolidated Group receives substantially all its revenue for services provided to approved clients from third-party reimbursement agencies, primarily OPWDD, the Department of Health ("DOH"), and Medicaid. These revenues are subject to audit and retroactive adjustment by the respective third-party intermediary.

Functional Expenses

The costs of providing the Consolidated Group's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Leases

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Capital leases are recorded at the lower of the fair market value of the assets or the present value of the minimum lease payments and are amortized over the lease term or estimated useful life of the assets, whichever is shorter, unless the lease provides for transfer of title or includes a bargain purchase option, in which case the lease is amortized over the estimated useful life of the asset. Operating lease payments are charged to rental expense. Operating lease expense has been recorded on the straight-line basis over the life of the leases, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Self-Insured Medical Plan

Under IAHD's plan, medical insurance coverage was obtained for each employee so that exposure to excessive medical expenses is capped in conjunction with certain stop-loss provisions. A stop-loss policy is in effect, which limits IAHD's loss per individual employee to $150,000 and $3,589,883 in the aggregate. IAHD is solely responsible for all claims incurred up to the amount of the stop-loss provisions. Provisions for expenses expected under this program were recorded based upon IAHD's estimate of the aggregate liability for claims incurred. As of June 30, 2018 and 2017, IAHD recorded an accrual provision for incurred-but-not-reported ("IBNR") medical claims of $540,344 and $655,627, respectively.

Performance Indicator

The consolidated statement of activities includes change in net assets from operations as the performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator include the change in postretirement benefit liability to be recognized in future periods. Transactions deemed by management to be ongoing, major or central to the provision of services are reported within change in net assets from operations. Peripheral or incidental transactions are excluded from change in net assets from operations.

Accounting for Uncertainty in Income Taxes

The Consolidated Group applies the provisions pertaining to uncertain tax provisions under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740 and has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. The Consolidated Group is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Consolidated Group believes it is no longer subject to income tax examinations prior to 2015.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements

ASU No. 2016-18

In November 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. This ASU requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. Current guidance does not specify how to present restricted cash and restricted cash equivalents in the statement of cash flows, thus there is diversity in practice.

The amendments in ASU No. 2016-18 should be applied using a retrospective transition method to each period presented and are effective for nonpublic entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

ASU No. 2016-14

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities.* This ASU is a result of the recommendations developed by FASB's Not-for-Profit Advisory Committee and FASB's ongoing review of Generally Accepted Accounting Principles (GAAP) standards to improve existing standards to meet the evolving needs of a dynamic financial reporting environment.

The ASU provides for changes in financial statement presentation that affect classification of net assets, presentation of expenses, investment returns and presentation of operating cash flows. It also calls for enhanced disclosures of board designated funds, underwater endowment funds, methods used to allocate costs among functions, and liquidity and availability of resources. The ASU affects all not-for-profit organizations including charities, foundations, colleges and universities, health care providers, religious organizations, trade associations, and cultural institutions, among others.

The amendments of ASU No. 2016-14 are effective for annual financial statements issued for periods beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases.*

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted for all entities.

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This ASU is the result of a joint project of the FASB and the IASB to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

Step 1: Identify the contract with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted under certain circumstances.

The Consolidated Group has not yet determined if these ASUs will have a material effect on its consolidated financial statements.

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Note 3 - Concentration of Credit Risk

The Consolidated Group maintains cash on deposit with major banks; however, such deposits exceed federally insured limits, which is $250,000 per institution.

Note 4 - Assets Limited as to Use

Assets limited as to use consist of the following:

	2018	2017
Under governmental regulatory agreements:		
Cash and money market funds	$ 1,067,723	$ 1,076,407
Under deferred compensation plans:		
Equities	780,763	691,454
Total assets limited as to use	1,848,486	1,767,861
Less: Current portion of assets limited as to use	834,071	775,969
Noncurrent assets limited as to use	$ 1,014,415	$ 991,892

Note 5 - Property and Equipment

Property and equipment, net consists of the following:

	2018	2017
Land	$ 3,153,883	$ 2,953,883
Buildings	17,210,255	15,989,733
Building improvements	5,513,007	4,937,610
Leasehold improvements	5,942,891	5,926,366
Equipment	3,378,687	3,229,169
Vans and other vehicles	2,070,769	1,793,092
Construction in progress	160,259	-
	37,429,751	34,829,853
Less: Accumulated depreciation and amortization	23,497,864	21,890,776
	$ 13,931,887	$ 12,939,077

As of June 30, 2018, the estimated cost to complete home renovations approximated $1,100,000.

Note 6 - Long-Term Debt

Loans payable at June 30, 2018 and 2017 are summarized as follows:

	2018	2017
A mortgage payable from a financial institution is payable in monthly installments of $1,057, which includes interest at 4% per annum. The mortgage matured in July 2017. The mortgage was collateralized by the related property at June 30, 2017.	$ -	$ 1,088
Mortgage agreements with DASNY include original principal amounts of $555,500 and $1,484,000, which bear interest at the rate of 7.39% and 5.34%, respectively, and are payable in semiannual installments of principal and interest until February 2018 and August 2019, respectively. Principal payments range from $6,400 to $80,000 semi-annually. The mortgages are collateralized by the related property at June 30, 2018 and 2017.	194,000	414,500
Vehicle notes payable in various monthly installments at various rates ranging from 0% to 7.99%, with final payment due dates through June 2018. All notes are collateralized by the vehicles at June 30, 2018 and 2017.	273,942	245,208
Mortgage agreements with a financial institution are payable in monthly installments ranging from $2,885 to $14,313, with interest ranging from 4.75% to 7.5% per annum. The mortgages began to mature in 2015 and will continue to mature through 2027. The mortgages are collateralized by the related property at June 30, 2018 and 2017.	3,908,520	3,355,353
Unsecured loans are payable to a financial institution and are due in monthly principal installments ranging from $333 to $7,568 with interest varying from 4% to 7% through January 2018.	-	2,142,085
Mortgage agreements through HUD in accordance with Section 202 of the Housing Act of 1959 include original principal amounts that range from $292,400 to $1,423,000, through 2025. Monthly payments vary from $2,312 to $3,968, with an interest rate of 9.25%. The mortgages are collateralized by the related property at June 30, 2018 and 2017.	947,133	1,063,957
In September 2017, IAHD executed a renovation loan agreement with a financial institution that matures on December 1, 2018. Under the agreement, IAHD may elect to convert the renovation loan to a 25-year note bearing interest that shall reset at specific measurement dates indexed from designated LIBOR Swap Rates. The loan is collateralized by the related property at June 30, 2018.	1,140,228	-
Various unsecured notes are payable to a financial institution and are due in monthly principal installments ranging from $1,625 to $4,924 with interest varying from 3.39% to 3.83% through February 2020.	174,692	49,281
	6,638,515	7,271,472
Less: Current portion	1,691,850	1,905,872
Long-Term Debt	$ 4,946,665	$ 5,365,600

Note 6 - Long-Term Debt (cont'd.)

Required principal payments on loans payable at June 30, 2018 are as follows:

Years Ending June 30:	
2019	$ 1,691,850
2020	1,025,161
2021	895,500
2022	792,287
2023	736,002
Thereafter	1,497,715
	$ 6,638,515

Note 7 - Due To New York State

IAHD has entered into contracts with OPWDD for the operation of several residential sites. As part of the agreement, OPWDD advanced funds to IAHD for equipment and rehabilitation. Liabilities are also recorded for the New York State facility assessment tax and amounts due to DASNY. In addition, IAHD has received certain funds through its reimbursement rates that represent overpayment for day programs. These liabilities, totaling $268,163 and $130,069, for the years ended June 30, 2018 and 2017, respectively, will be paid back through recoupments by OPWDD.

In prior years, the New York State Office of the State Comptroller ("OSC") conducted an audit of IAHD's preschool program for the three years ended June 30, 2013. During 2015, IAHD received the final audit report, as issued by OSC. The audit report identified expense disallowances in the preschool program. The cumulative disallowance, as calculated by SED for the years ended June 30, 2011 through 2015 totaled $336,044. This amount has been recorded in these financial statements for the years ended June 30, 2018 and 2017.

Note 8 - Line of Credit

The Consolidated Group maintains a $3,000,000 line of credit with a major bank that expires in February 2019 and bears interest at the prime rate, which was 5.0% at June 30, 2018. At June 30, 2018 and 2017, no amounts were drawn down against the line of credit.

Note 9 - Related Party Transactions

For entity-specific accounting purposes, the entities within the Consolidated Group periodically assess the collectability of amounts due from related organizations to state the receivables at their estimated net realizable value. Allowances for potential uncollectible amounts have been recorded when deemed necessary.

Two family members of a Director of IAHD's Board work for the organization. Their compensation and fringe benefits totaled $208,597 and $191,421 for the years ended June 30, 2018 and 2017, respectively. One member of the Board of Directors provided cleaning goods and supplies to IAHD totaling $294,489 and $184,351 during the years ended June 30, 2018 and 2017, respectively. Another member of the Board of Directors provided pharmaceuticals to IAHD totaling $51,652 and $36,689 during the years ended June 30, 2018 and 2017, respectively.

Note 10 - Leased Facilities

The Consolidated Group entered into various operating leases for buildings located in New York for administrative and programmatic uses. In addition, the Consolidated Group rents program and office space on a month-to-month basis. The Consolidated Group also has entered into various lease agreements for equipment and vehicles. All leases are non-cancellable and extend through June 30, 2023.

Rent expense for the years ended June 30, 2018 and 2017 was $1,670,157 and $1,849,125, respectively. Minimum annual payments at June 30, 2018 are as follows:

Years Ending June 30:	
2019	$ 1,497,458
2020	1,487,320
2021	924,424
2022	893,275
2023	917,708
	$ 5,720,185

Note 11 - Employee Benefit Plans

Defined Contribution Plan

IAHD's retirement expense is based upon annual employer contributions determined by the Board of Directors. The contributions are then made to a qualified deferred contribution plan, as defined by Internal Revenue Code Section 403(b). Accordingly, for the years ended June 30, 2018 and 2017, IAHD recorded a pension contribution equal to 3.75% of eligible participants' compensation. Pension expense under this plan for the years ended June 30, 2018 and 2017 was $399,825 and $239,974, respectively.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
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Note 11 - Employee Benefit Plans (cont'd.)

Multiple-Employer Defined Benefit Plan

IAHD contributes to the Local 338 Retirement Plan (the "Plan"), a multiple-employer defined benefit pension plan, under the terms of a participation agreement for its employees. The risks of participating in this multiple-employer plan are different from a single-employer plan in the following aspects:

a. Assets contributed to the 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 IAHD chooses to stop participating in the plan, IAHD may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

IAHD's participation in this plan for the annual period ended June 30, 2018, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2018 is for the plan's year-end at December 31, 2017. The zone status is based on information that IAHD received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are 65 percent to 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

2018						
Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented	Contributions	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Local 338 Retirement Plan	EIN 13-6533678 Plan No. 001	Green	N/A	$ 812,959	N/A	December 3, 2018

Note 11 - Employee Benefit Plans (cont'd.)

Multiple-Employer Defined Benefit Plan (cont'd.)

2017						
Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status 2014	FIP/RP Status Pending/ Implemented	Contributions	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Local 338 Retirement Plan	EIN 13-6533678 Plan No. 001	Green	N/A	$ 792,175	No	December 3, 2017

As of June 30, 2018, the zone status has been certified to as of December 30, 2017.

A liability of $459,695 and $432,263 has been recorded at June 30, 2018 and 2017, respectively, for the defined contribution plan and the multiple-employer defined benefit plan and is included in accounts payable and accrued expenses in the consolidated statements of financial position.

Deferred Compensation Plan

Certain Consolidated Group employees participate in a deferred compensation plan established pursuant to Section 457 of the Internal Revenue Code. In connection with this plan, the Consolidated Group deposits amounts with trustees on behalf of the participating employees. Under the terms of the plan, the Consolidated Group is not responsible for investment gains or losses incurred. The assets set aside under the plan are designated for payment under the plan, but may revert to the Consolidated Group under certain specified circumstances. At June 30, 2018 and 2017, amounts on deposit with the trustees (at fair value) were equal to the liability under the plan and reported as assets limited to use and deferred employee compensation plan liabilities on the consolidated statements of financial position. Additionally, investment return related to such assets and the associated employee benefits expense for this plan totaled $58,078 and $75,653 for the years ended June 30, 2018 and 2017, respectively.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 12 - Postretirement Benefits

IAHD provides certain benefits to nine non-union employees who have completed 20 years of service and have retired from IAHD. The benefit provided is currently a Medicare supplemental plan.

The reconciliation of the beginning and ending balances of the benefit obligation and the fair value of the plan's assets for the years ended June 30, 2018 and 2017 are as follows:

	2018	2017
Benefit obligation:		
Benefit obligation, beginning of year	$ 1,427,130	$ 1,511,274
Service cost	-	-
Interest cost	44,069	47,426
Actuarial (gain) loss	(375,617)	(98,446)
Benefits paid	(39,106)	(33,124)
Benefit obligation, end of year	1,056,476	1,427,130
Fair value of plan assets:		
Employer contributions	39,106	33,124
Actual return on plan assets	-	-
Benefits paid	(39,106)	(33,124)
Fair value of plan assets, end of year	-	-
Funded status	$ 1,056,476	$ 1,427,130

Included in other changes in unrestricted net assets at June 30, 2018 and 2017 are the following amounts that have not yet been recognized in net periodic postretirement cost:

	2018	2017
Unrecognized actuarial (gain) / loss	$ (4,057)	$ 379,794

The unrecognized actuarial loss and prior service cost included in changes in net assets at June 30, 2018 and expected to be recognized in net periodic postretirement cost during the year ending June 30, 2019 is $0.

Note 12 - Postretirement Benefits (cont'd.)

Net periodic postretirement benefit cost for the years ended June 30, 2018 and 2017 was determined using a discount rate of 3.53 percent and 3.19 percent, respectively. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 3.91 percent at June 30, 2018 and 3.53 percent at June 30, 2017. Components of net periodic postretirement cost are as follows:

	2018	2017
Service cost	$ -	$ -
Interest cost	44,069	47,426
Expected return on plan assets	-	-
Amortization of prior service cost	-	-
Amortization of net loss	8,234	28,705
	$ 52,303	$ 76,131

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 7.0 percent for pre-65 years of age, 5.0 percent for post-65, and 10.25 percent for prescription drugs for 2018 and is assumed to decrease gradually to 3.886 percent for all groups in 2075, which is the year the rate reaches the ultimate trend rate, and remain at that level thereafter.

The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation at June 30, 2018 by $114,390, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2018 by $4,646. Decreasing the assumed health care cost trend rates by one percentage point in each year would decrease the accumulated postretirement benefit obligation at June 30, 2018 by $99,123, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2018 by $4,026.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 12 - Postretirement Benefits (cont'd.)

IAHD expects to contribute $53,110 to its postretirement benefit plan in fiscal 2019 and the amount is included in the current portion of accrued postretirement payable.

The Consolidated Group expects to pay the following benefit payments, which reflect expected future services, as appropriate:

Years Ending June 30:	
2019	$ 53,110
2020	67,195
2021	82,713
2022	86,248
2023	89,527
2024 - 2028	352,156
	$ 730,949

Note 13 - Investments/Fair Value Measurements

The Consolidated Group measures its securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect the Consolidated Group's own assumptions of market participant valuation (unobservable inputs).

Note 13 - Investments/Fair Value Measurements (cont'd.)

Items Measured at Fair Value on a Recurring Basis

The following table presents the Consolidated Group's assets that are measured at fair value on a recurring basis at June 30, 2018 and 2017:

	2018			
	Total	Level 1	Level 2	Level 3
Equities	$ 780,763	$ 780,763	$ -	$ -

	2017			
	Total	Level 1	Level 2	Level 3
Equities	$ 775,969	$ 775,969	$ -	$ -

The resulting asset is included in assets limited as to use on the consolidated statements of financial position.

Note 14 - Contingencies

Revenues and receivables arising from programs funded by government agencies are dependent upon final audit and negotiations between the Consolidated Group and the various government agencies. Management believes that any rate adjustment would be insignificant and, accordingly, management has not included a reserve for potential rate adjustments in these consolidated financial statements.

Laws and regulations governing the Consolidated Group's programs are extremely 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. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from the Medicaid program.

As of June 30, 2018 and 2017, the Consolidated Group is party to various litigations which, in the opinion of management and legal counsel, will not have a material adverse impact on the financial position of the Consolidated Group.

Note 15 - Subsequent Events

The Consolidated Group has evaluated all events or transactions that occurred after June 30, 2018 through November 30, 2018, the date that these consolidated financial statements were available to be issued. During this period, IAHD executed three mortgage notes with a bank in September 2018, thereby obtaining $2.1 million in financing for the acquisition of real property.

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THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	The Institutes of Applied Human Dynamics, Inc.	Dynamics Residence Corporation of Burke Ave.	Habilitation Hostels Residence Corporation	3680 Holding Company, Inc.	Dynamics Hostels Residence Corporation	Eliminations	Consolidated
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 1,464,678	$ 109,356	$ 52,430	$ 32,148	$ 60,138	$ -	$ 1,718,750
Current portion of assets limited as to use (*Notes 4 and 11*)	834,071	-	-	-	-	-	834,071
Accounts receivable, net	5,442,737	15,219	7,820	146,993	48,844	-	5,661,613
Estimated amount due from third party payers	434,280	-	-	-	-	-	434,280
Participant deposits	745,300	1,699	1,583	-	1,958	-	750,540
Prepaid expenses and other current assets	675,570	2,774	2,775	4,870	7,820	-	693,809
Total Current Assets	9,596,636	129,048	64,608	184,011	118,760	-	10,093,063
Due from related parties	1,017,773	-	-	-	-	(1,017,773)	-
Assets limited as to use, net of current portion (*Notes 4 and 11*)	660,251	45,807	130,028	-	178,329	-	1,014,415
Property and equipment, net (*Note 5*)	13,230,142	184,438	49,394	30,000	437,913	-	13,931,887
	$ 24,504,802	$ 359,293	$ 244,030	$ 214,011	$ 735,002	$ (1,017,773)	$ 25,039,365
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Loans payable, current portion (*Note 6*)	$ 1,563,763	$ 26,667	$ 17,840	$ -	$ 83,580	$ -	$ 1,691,850
Accounts payable and accrued expenses	5,071,989	4,160	-	9,597	5,653	-	5,091,399
Accrued payroll and related taxes	1,958,614	-	-	-	-	-	1,958,614
Accrued postretirement plan liability, current portion (*Note 12*)	53,110	-	-	-	-	-	53,110
Due to New York State (*Note 7*)	604,207	-	-	-	-	-	604,207
Deferred employee compensation plan liabilities (*Note 4*)	780,763	-	-	-	-	-	780,763
Participant deposits	745,300	1,699	1,583	-	1,958	-	750,540
Total Current Liabilities	10,777,746	32,526	19,423	9,597	91,191	-	10,930,483
Due to related parties	-	167,162	338,023	125,914	386,674	(1,017,773)	-
Accrued postretirement plan liability, net of current portion (*Note 12*)	1,003,366	-	-	-	-	-	1,003,366
Loans payable, net of current portion (*Note 6*)	4,127,619	211,742	97,194	-	510,110	-	4,946,665
Total Liabilities	15,908,731	411,430	454,640	135,511	987,975	(1,017,773)	16,880,514
NET ASSETS:							
Unrestricted	8,596,071	(52,137)	(210,610)	78,500	(252,973)	-	8,158,851
	$ 24,504,802	$ 359,293	$ 244,030	$ 214,011	$ 735,002	$ (1,017,773)	$ 25,039,365

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THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	The Institutes of Applied Human Dynamics, Inc.	Dynamics Residence Corporation of Burke Ave.	Habilitation Hostels Residence Corporation	3680 Holding Company, Inc.	Dynamics Hostels Residence Corporation	Eliminations	Consolidated
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 2,355,975	$ 89,179	$ 23,921	$ 98,597	$ 60,382	$ -	$ 2,628,054
Current portion of assets limited as to use (*Notes 4 and 11*)	775,969	-	-	-	-	-	775,969
Accounts receivable, net	4,553,266	3,153	-	-	642	-	4,557,061
Estimated amount due from third party payers	1,489,627	-	-	-	-	-	1,489,627
Participant deposits	838,498	1,699	1,583	-	2,298	-	844,078
Prepaid expenses and other assets	1,080,908	20,656	-	4,870	3,770	-	1,110,204
Total Current Assets	11,094,243	114,687	25,504	103,467	67,092	-	11,404,993
Due from related parties	874,314	-	-	-	-	(874,314)	-
Assets limited as to use, net of current portion (*Notes 4 and 11*)	647,914	43,640	128,089	-	172,249	-	991,892
Property and equipment, net (*Note 5*)	12,231,147	181,095	50,909	30,000	445,926	-	12,939,077
	$ 24,847,618	$ 339,422	$ 204,502	$ 133,467	$ 685,267	$ (874,314)	$ 25,335,962
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Loans payable, current portion (*Note 6*)	$ 1,789,057	$ 24,322	$ 16,271	$ -	$ 76,222	$ -	$ 1,905,872
Accounts payable and accrued expenses	3,867,392	16,171	16,171	3,248	112,961	-	4,015,943
Accrued payroll and related taxes	1,628,713	-	-	-	-	-	1,628,713
Accrued postretirement plan liability, current portion (*Note 12*)	54,836	-	-	-	-	-	54,836
Due to New York State (*Note 7*)	466,113	-	-	-	-	-	466,113
Deferred employee compensation plan liabilities (*Note 4*)	691,454	-	-	-	-	-	691,454
Participant deposits	838,498	1,699	1,583	-	2,298	-	844,078
Total Current Liabilities	9,336,063	42,192	34,025	3,248	191,481	-	9,607,009
Due to related parties	-	151,050	315,837	78,795	328,632	(874,314)	-
Accrued postretirement plan liability, net of current portion (*Note 12*)	1,372,294	-	-	-	-	-	1,372,294
Loans payable, net of current portion (*Note 6*)	4,418,458	238,415	115,038	-	593,689	-	5,365,600
Total Liabilities	15,126,815	431,657	464,900	82,043	1,113,802	(874,314)	16,344,903
NET ASSETS:							
Unrestricted	9,720,803	(92,235)	(260,398)	51,424	(428,535)	-	8,991,059
	$ 24,847,618	$ 339,422	$ 204,502	$ 133,467	$ 685,267	$ (874,314)	$ 25,335,962

See independent auditors' report.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	The Institutes of Applied Human Dynamics, Inc.	Dynamics Residence Corporation of Burke Ave.	Habilitation Hostels Residence Corporation	3680 Holding Company, Inc.	Dynamics Hostels Residence Corporation	Eliminations	Consolidated
Revenue:							
Program service fees:							
Residential services	$ 36,938,006	$ 149,905	$ 115,042	$ -	$ 359,021	$ -	$ 37,561,974
Case management services	814,503	-	-	-	-	-	814,503
Day habilitation services	17,409,200	-	-	-	-	-	17,409,200
Prevocational services	1,601,566	-	-	-	-	-	1,601,566
Transportation services	8,124	-	-	-	-	-	8,124
Self direction	72,658	-	-	-	-	-	72,658
Respite services	214,651	-	-	-	-	-	214,651
Fundraising activities, net	250,361	-	-	-	-	-	250,361
Other revenue	87,894	15	145	147,000	107,032	(174,005)	168,081
Total Revenue	57,396,963	149,920	115,187	147,000	466,053	(174,005)	58,101,118
Expenses:							
Program services:							
Residential services	30,774,140	91,658	46,954	-	238,651	(146,993)	31,004,410
Case management services	666,237	-	-	-	-	-	666,237
Day habilitation services	19,460,701	-	-	-	-	-	19,460,701
Prevocational services	817,886	-	-	-	-	-	817,886
Respite services	224,995	-	-	-	-	-	224,995
Self direction	8,321	-	-	-	-	-	8,321
Other	103,473	-	-	106,520	-	-	209,993
Total Program Services	52,055,753	91,658	46,954	106,520	238,651	(146,993)	52,392,543
Supporting services:							
Management and general	6,707,254	18,164	18,445	13,404	51,840	(27,012)	6,782,095
Fundraising	142,539	-	-	-	-	-	142,539
Total Supporting Services	6,849,793	18,164	18,445	13,404	51,840	(27,012)	6,924,634
Total Expenses	58,905,546	109,822	65,399	119,924	290,491	(174,005)	59,317,177
Change in net assets from operations	(1,508,583)	40,098	49,788	27,076	175,562	-	(1,216,059)
Change in postretirement liability to be recognized in future periods	383,851	-	-	-	-	-	383,851
Change in Net Assets	(1,124,732)	40,098	49,788	27,076	175,562	-	(832,208)
Net Assets, Beginning of Year	9,720,803	(92,235)	(260,398)	51,424	(428,535)	-	8,991,059
Net Assets, End of Year	$ 8,596,071	$ (52,137)	$ (210,610)	$ 78,500	$ (252,973)	$ -	$ 8,158,851

See independent auditors' report.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	The Institutes of Applied Human Dynamics, Inc.	Dynamics Residence Corporation of Burke Ave.	Habilitation Hostels Residence Corporation	3680 Holding Company, Inc.	Dynamics Hostels Residence Corporation	Eliminations	Consolidated
Revenue:							
Program service fees:							
Residential services	$ 34,701,772	$ 148,095	$ 110,523	$ -	$ 341,840	$ -	$ 35,302,230
Case management services	638,231	-	-	-	-	-	638,231
Day habilitation services	13,538,287	-	-	-	-	-	13,538,287
Prevocational services	1,172,797	-	-	-	-	-	1,172,797
Transportation services	3,706,850	-	-	-	-	-	3,706,850
Self-direction	23,713	-	-	-	-	-	23,713
Respite services	118,759	-	-	-	-	-	118,759
Fundraising activities, net	214,997	-	-	-	-	-	214,997
Other revenue	269,436	16	57	138,749	101	(156,058)	252,301
Total Revenue	54,384,842	148,111	110,580	138,749	341,941	(156,058)	54,968,165
Expenses:							
Program services:							
Residential services	28,154,852	90,462	58,807	-	229,019	-	28,533,140
Case management services	457,122	-	-	-	-	-	457,122
Day habilitation services	18,207,475	-	-	-	-	-	18,207,475
Prevocational services	807,858	-	-	-	-	-	807,858
Transportation services	193,690	-	-	-	-	-	193,690
Respite services	236,538	-	-	-	-	-	236,538
Self-direction	9,795	-	-	-	-	-	9,795
Other	194,212	-	-	131,493	-	(129,046)	196,659
Total Program Services	48,261,542	90,462	58,807	131,493	229,019	(129,046)	48,642,277
Supporting services:							
Management and general	5,769,623	22,192	21,801	5,807	37,744	(27,012)	5,830,155
Fundraising	102,384	-	-	-	-	-	102,384
Total Supporting Services	5,872,007	22,192	21,801	5,807	37,744	(27,012)	5,932,539
Total Expenses	54,133,549	112,654	80,608	137,300	266,763	(156,058)	54,574,816
Change in net assets from operations	251,293	35,457	29,972	1,449	75,178	-	393,349
Change in postretirement liability to be recognized in future periods	127,152	-	-	-	-	-	127,152
Change in Net Assets	378,445	35,457	29,972	1,449	75,178	-	520,501
Net Assets, Beginning of Year	9,342,358	(127,692)	(290,370)	49,975	(503,713)	-	8,470,558
Net Assets, End of Year	$ 9,720,803	$ (92,235)	$ (260,398)	$ 51,424	$ (428,535)	$ -	$ 8,991,059

See independent auditors' report.

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	The Institutes of Applied Human Dynamics, Inc. – Program Services								Supporting Services				
	Residential Services	Case Management	Day Habilitation	Prevocational Services	Respite	Self-Direction	Other	Total	Management and General	Fundraising	Direct Cost of Special Events	Total	Total
Salaries	$ 17,231,382	$ 465,256	$ 7,879,971	$ 252,497	$ 132,846	$ 2	$ 47,428	$ 26,009,382	$ 3,059,847	$ 5,004	$ -	$ 3,064,851	$ 29,074,233
Employee benefits	7,032,327	189,876	3,215,907	103,047	54,216	1	19,356	10,614,730	1,248,759	2,042	-	1,250,801	11,865,531
Total personnel services expenses	24,263,709	655,132	11,095,878	355,544	187,062	3	66,784	36,624,112	4,308,606	7,046	-	4,315,652	40,939,764
Professional fees and service payments	403,926	-	120,233	-	3	-	-	524,162	525,409	38,460	-	563,869	1,088,031
Rent	324,783	-	943,725	89,847	-	8,313	-	1,366,668	450,482	-	-	450,482	1,817,150
Heat and utilities	451,059	-	311,336	29,261	1,582	-	-	793,238	16,636	-	-	16,636	809,874
Telephone	48,485	-	204,869	19,492	410	-	-	273,256	53,184	-	-	53,184	326,440
Transportation and travel	118,447	-	4,551,565	90,763	817	-	2,574	4,764,166	-	-	-	-	4,764,166
Repairs and maintenance	1,175,910	-	712,807	67,030	2,970	-	1,470	1,960,187	379,839	900	-	380,739	2,340,926
Staff training, conferences, and meetings	2,154	-	299	-	-	-	536	2,989	100,825	997	-	101,822	104,811
Stationery, postage and printing	215	-	20,153	2,159	-	-	-	22,527	3,417	-	-	3,417	25,944
Supplies	834,938	-	398,819	42,193	123	5	1,848	1,277,926	85,866	4,318	-	90,184	1,368,110
Food	404,132	-	173,557	45,859	4,627	-		628,175	28,190	440	-	28,630	656,805
Food, facility and entertainment	-	-	-	-	-	-	-	-	-	-	51,610	51,610	51,610
Recreation	185,134	-	35,670	3,303	3,875	-	-	227,982	44,144	118	-	44,262	272,244
Insurance	460,788	-	287,758	18,169	-	-	13,743	780,458	274,699	-	-	274,699	1,055,157
Interest	237,288	-	36,499	323	12,606	-	499	287,215	14,981	-	-	14,981	302,196
Recruitment	-	-	-	-	-	-	-	-	-	-	-	-	-
New York State health facility assessment	502,152	-	-	-	-	-	-	502,152	-	-	-	-	502,152
Client wages	-	-	13,290	42,119	-	-	-	55,409	(1,413)	-	-	(1,413)	53,996
Depreciation and amortization	972,268	6,000	411,161	1,410	9,575	-	12,409	1,412,823	183,166	-	-	183,166	1,595,989
Management fee	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	235,331	5,105	110,548	10,039	1,345	-	237	362,605	-	-	-	-	362,605
Miscellaneous	153,421	-	32,534	375	-	-	3,373	189,703	239,223	90,260	-	329,483	519,186
	30,774,140	666,237	19,460,701	817,886	224,995	8,321	103,473	52,055,753	6,707,254	142,539	51,610	6,901,403	58,957,156
Less: Expenses deducted directly from revenues on the statement of activities													
Cost of direct benefits of special events	-	-	-	-	-	-	-	-	-	-	(51,610)	(51,610)	(51,610)
Total expenses	$ 30,774,140	$ 666,237	$ 19,460,701	$ 817,886	$ 224,995	$ 8,321	$ 103,473	$ 52,055,753	$ 6,707,254	$ 142,539	$ -	$ 6,849,793	$ 58,905,546

	Dynamics Residence Corporation of Burke Ave.			Habilitation Hostels Residence Corporation			3680 Holding Company, Inc.			Dynamics Hostels Residence Corporation				
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Eliminations	Consolidated
Salaries	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 29,074,233
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	11,865,531
Total personnel services expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	40,939,764
Professional fees and service payments	-	13,940	13,940	-	14,449	14,449	-	12,818	12,818	-	16,433	16,433	-	1,145,671
Rent	-	-	-	-	-	-	-	-	-	-	-	-	(146,993)	1,670,157
Heat and utilities	33,447	-	33,447	18,514	-	18,514	29,609	-	29,609	82,588	-	82,588	-	974,032
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	326,440
Transportation and travel	-	-	-	-	-	-	-	-	-	-	-	-	-	4,764,166
Repairs and maintenance	-	-	-	-	-	-	967	-	967	-	-	-	-	2,341,893
Staff training, conferences, and meetings	-	-	-	-	-	-	-	-	-	-	-	-	-	104,811
Stationery, postage and printing	-	-	-	-	-	-	-	-	-	-	-	-	-	25,944
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	1,368,110
Food	-	-	-	-	-	-	-	-	-	-	-	-	-	656,805
Food, facility and entertainment	-	-	-	-	-	-	-	-	-	-	-	-	-	51,610
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	272,244
Insurance	33,640	-	33,640	15,457	-	15,457	75,274	-	75,274	89,263	-	89,263	-	1,268,791
Interest	23,289	-	23,289	11,468	-	11,468	670	-	670	58,787	-	58,787	-	396,410
Recruitment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New York State health facility assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	502,152
Client wages	-	-	-	-	-	-	-	-	-	-	-	-	-	53,996
Depreciation and amortization	1,282	-	1,282	1,515	-	1,515	-	-	-	8,013	-	8,013	-	1,606,799
Management fee	-	4,224	4,224	-	3,996	3,996	-	-	-	-	18,792	18,792	(27,012)	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	362,605
Miscellaneous	-	-	-	-	-	-	-	586	586	-	16,615	16,615	-	536,387
	91,658	18,164	109,822	46,954	18,445	65,399	106,520	13,404	119,924	238,651	51,840	290,491	(174,005)	59,368,787
Less: Expenses deducted directly from revenues on the statement of activities														
Cost of direct benefits of special events	-	-	-	-	-	-	-	-	-	-	-	-	-	(51,610)
Total expenses	$ 91,658	$ 18,164	$ 109,822	$ 46,954	$ 18,445	$ 65,399	$ 106,520	$ 13,404	$ 119,924	$ 238,651	$ 51,840	$ 290,491	$ (174,005)	$ 59,317,177

THE INSTITUTES OF APPLIED HUMAN DYNAMICS, INC. AND RELATED ENTITIES
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	The Institute of Applied Human Dynamics, Inc. – Program Services									Supporting Services				
	Residential Services	Case Management	Day Habilitation	Prevocational Services	Transportation Services	Respite	Self-Direction	Other	Total	Management and General	Fundraising	Direct Cost of Special Events	Total	Total
Salaries	$ 16,217,825	$ 334,611	$ 7,552,343	$ 161,303	$ 47,859	$ 147,225	$ -	$ 105,349	$ 24,566,515	$ 2,799,863	$ 41,872	$ -	$ 2,841,735	$ 27,408,250
Employee benefits	5,574,429	111,720	2,617,505	53,256	14,788	50,559	-	36,114	8,458,371	1,089,558	15,736	-	1,105,294	9,563,665
Total personnel services expenses	21,792,254	446,331	10,169,848	214,559	62,647	197,784	-	141,463	33,024,886	3,889,421	57,608	-	3,947,029	36,971,915
Professional fees and service payments	216,401	1,050	52,402	-	-	5,667	-	-	275,520	602,185	6,188	-	608,373	883,893
Rent	478,842	-	958,157	60,052	36,558	-	8,313	-	1,541,922	436,249	-	-	436,249	1,978,171
Heat and utilities	404,616	-	345,051	29,506	-	3,919	-	-	783,092	11,920	-	-	11,920	795,012
Telephone	50,631	349	220,212	22,569	-	-	-	499	294,260	21,009	-	-	21,009	315,269
Transportation and travel	106,621	-	3,834,101	111,135	-	73	35	685	4,052,650	25,865	-	-	25,865	4,078,515
Repairs and maintenance	959,048	-	680,642	126,112	-	574	-	304	1,766,680	131,599	939	-	132,538	1,899,218
Staff training, conferences, and meetings	24,496	560	6,555	(13)	-	918	-	18,503	51,019	107,047	1,255	-	108,302	159,321
Stationery, postage and printing	360	-	15,945	1,859	-	-	-	-	18,164	590	-	-	590	18,754
Supplies	700,518	-	665,588	66,583	-	2,763	954	-	1,436,406	-	1,968	-	1,968	1,438,374
Food	465,249	-	176,744	54,152	183	3,635	255	5	700,223	22,084	-	-	22,084	722,307
Food, facility and entertainment	-	-	-	-	-	-	-	-	-	-	-	58,363	58,363	58,363
Recreation	185,829	-	36,625	2,842	-	872	-	-	226,168	15,318	-	-	15,318	241,486
Insurance	453,005	-	295,980	25,225	-	-	-	15,356	789,566	229,336	-	-	229,336	1,018,902
Interest	258,709	-	30,907	1,028	-	8,180	-	827	299,651	22,506	-	-	22,506	322,157
Recruitment	-	-	-	-	-	-	-	-	-	3,684	-	-	3,684	3,684
New York State health facility assessment	495,348	-	-	-	-	-	-	-	495,348	-	-	-	-	495,348
Client wages	4,342	-	21,913	77,421	-	-	-	-	103,676	1,413	-	-	1,413	105,089
Depreciation and amortization	887,860	1,500	381,044	615	91,196	5,509	-	12,409	1,380,133	230,561	-	-	230,561	1,610,694
Management fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	451,591	7,332	292,040	12,958	3,106	3,794	157	3,116	774,094		-	-	-	774,094
Miscellaneous	219,132	-	23,721	1,255	-	2,850	81	1,045	248,084	18,836	34,426	-	53,262	301,346
	28,154,852	457,122	18,207,475	807,858	193,690	236,538	9,795	194,212	48,261,542	5,769,623	102,384	58,363	5,930,370	54,191,912
Less: Expenses deducted directly from revenues on the statement of activities														
Cost of direct benefits of special events	-	-	-	-	-	-	-	-	-	-	-	(58,363)	(58,363)	(58,363)
Total expenses	$ 28,154,852	$ 457,122	$ 18,207,475	$ 807,858	$ 193,690	$ 236,538	$ 9,795	$ 194,212	$ 48,261,542	$ 5,769,623	$ 102,384	$ -	$ 5,872,007	$ 54,133,549

	Dynamics Residence Corporation of Burke Ave.			Habilitation Hostels Residence Corporation			3680 Holding Company, Inc.			Dynamics Hostels Residence Corporation				
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total	Eliminations	Consolidated
Salaries	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,408,250
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	9,563,665
Total personnel services expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	36,971,915
Professional fees and service payments	-	16,171	16,171	-	16,171	16,171	-	3,248	3,248	-	18,952	18,952	-	938,435
Rent	-	-	-	-	-	-	-	-	-	-	-	-	(129,046)	1,849,125
Heat and utilities	28,928	-	28,928	28,721	-	28,721	31,489	-	31,489	75,051	-	75,051	-	959,201
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	315,269
Transportation and travel	-	-	-	-	-	-	-	-	-	-	-	-	-	4,078,515
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	1,899,218
Staff training, conferences, and meetings	-	-	-	-	-	-	-	-	-	-	-	-	-	159,321
Stationery, postage and printing	-	-	-	-	-	-	-	-	-	-	-	-	-	18,754
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	1,438,374
Food	-	-	-	-	-	-	-	-	-	-	-	-	-	722,307
Food, facility and entertainment	-	-	-	-	-	-	-	-	-	-	-	-	-	58,363
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	241,486
Insurance	34,994	-	34,994	15,199	-	15,199	100,004	-	100,004	85,357	-	85,357	-	1,254,456
Interest	25,431	-	25,431	13,593	-	13,593	-	-	-	65,496	-	65,496	-	426,677
Recruitment	-	-	-	-	-	-	-	-	-	-	-	-	-	3,684
New York State health facility assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	495,348
Client wages	-	-	-	-	-	-	-	-	-	-	-	-	-	105,089
Depreciation and amortization	1,109	-	1,109	1,294	-	1,294	-	-	-	3,115	-	3,115	-	1,616,212
Management fee	-	4,224	4,224	-	3,996	3,996	-	-	-	-	18,792	18,792	(27,012)	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	774,094
Miscellaneous	-	1,797	1,797	-	1,634	1,634	-	2,559	2,559	-	-	-	-	307,336
	90,462	22,192	112,654	58,807	21,801	80,608	131,493	5,807	137,300	229,019	37,744	266,763	(156,058)	54,633,179
Less: Expenses deducted directly from revenues on the statement of activities														
Cost of direct benefits of special events	-	-	-	-	-	-	-	-	-	-	-	-	-	(58,363)
Total expenses	$ 90,462	$ 22,192	$ 112,654	$ 58,807	$ 21,801	$ 80,608	$ 131,493	$ 5,807	$ 137,300	$ 229,019	$ 37,744	$ 266,763	$ (156,058)	$ 54,574,816

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APPENDIX B-VI

QSAC, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2020, JUNE 30, 2019 AND JUNE 30, 2018)

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QSAC, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2019)

QSAC, INC.

CONTENTS

GRASSI
ADVISORS & ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
QSAC, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of QSAC, Inc. ("QSAC"), which comprise the statement of financial position at June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

488 MADISON AVENUE, 21ST FLOOR, NEW YORK, NY 10022
P: 212.661.6166 • F: 212.755.6748 • GRASSICPAS.COM
JERICHO, NY | PARK RIDGE, NJ | RONKONKOMA, NY | WHITE PLAINS, NY

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of QSAC, Inc. at June 30, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited QSAC, Inc.'s 2019 financial statements, and our report dated November 22, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein at and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
December 18, 2020

QSAC, INC.
STATEMENT OF FINANCIAL POSTION
JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 9,504,233	$ 6,814,552
Certificates of deposit	1,190,833	1,551,057
Program services receivable, net	12,102,028	9,009,982
Prepaid expenses and other assets	6,855,969	6,407,525
Debt service reserve funds	39,937	125,525
Property and equipment, net	14,339,466	14,549,440
TOTAL ASSETS	$ 44,032,466	$ 38,458,081
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Line of credit	$ -	$ 1,450,817
Accounts payable and accrued expenses	3,204,690	3,142,527
Accrued salaries and related benefits	8,233,221	9,501,386
Due to governmental agencies	2,018,009	1,990,295
Deferred rent payable	3,631,120	3,463,950
Loans payable, net	8,425,647	7,960,642
Paycheck Protection Program loan payable	7,000,000	-
Capital lease obligations, net	634,033	834,860
TOTAL LIABILITIES	33,146,720	28,344,477
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions:		
Operating	10,071,202	9,485,633
Board designated endowment	146,799	125,285
Total	10,218,001	9,610,918
With donor restrictions	667,745	502,686
TOTAL NET ASSETS	10,885,746	10,113,604
TOTAL LIABILITIES AND NET ASSETS	$ 44,032,466	$ 38,458,081

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

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QSAC, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

		2020			2019
		Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES, GAINS AND OTHER SUPPORT:					
Program service fees		$ 81,583,044	$ -	$ 81,583,044	$ 84,520,741
Government grants and contracts		1,949,013	-	1,949,013	1,658,714
Contributions		689,401	1,161,900	1,851,301	1,857,413
Other revenue		1,311,243	-	1,311,243	981,586
Special events	$ 128,246				
Less: Costs of direct benefits of special events	16,682	111,564	-	111,564	385,170
Net assets released from donor restrictions		996,841	(996,841)	-	-
Total Revenues, Gains and Other Support		86,641,106	165,059	86,806,165	89,403,624
EXPENSES:					
Program services:					
Educational services		11,680,968	-	11,680,968	10,801,824
Residential services		29,841,874	-	29,841,874	29,664,496
Habilitation services		32,997,567	-	32,997,567	33,613,809
Other services		3,507,829	-	3,507,829	5,547,834
Supporting services:					
Management and general		7,773,000	-	7,773,000	8,547,980
Fundraising		232,785	-	232,785	380,570
Total Expenses		86,034,023	-	86,034,023	88,556,513
CHANGE IN NET ASSETS		607,083	165,059	772,142	847,111
NET ASSETS, BEGINNING OF YEAR		9,610,918	502,686	10,113,604	9,266,493
NET ASSETS, END OF YEAR		$ 10,218,001	$ 667,745	$ 10,885,746	$ 10,113,604

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

QSAC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	Program Services					Supporting Services					
	Educational Services	Residential Services	Habilitation Services	Other Services	Total	Management and General	Fundraising	Cost of Direct Benefits of Special Events	Total	2020 Total	2019 Total
Salaries	$ 7,407,965	$ 16,702,078	$ 18,251,649	$ 1,223,584	$ 43,585,276	$ 3,919,542	$ 159,671	$ -	$ 4,079,213	$ 47,664,489	$ 50,939,413
Fringe benefits	2,526,437	6,062,104	6,913,845	370,508	15,872,894	1,842,172	53,776	-	1,895,948	17,768,842	16,195,957
Grants and other assistance to individuals	-	452,764	-	856,672	1,309,436	-	-	-	-	1,309,436	987,273
Professional fees and contract service payments	284,171	487,476	1,298,907	2,150	2,072,704	287,008	-	-	287,008	2,359,712	2,639,301
Fingerprinting	3,205	2,582	5,672	82	11,541	4,213	-	-	4,213	15,754	22,767
Medical supplies	6,657	74,758	10,102	226	91,743	396	-	-	396	92,139	93,944
Occupancy	1,163,294	2,047,854	3,534,829	745,272	7,491,249	606,357	-	-	606,357	8,097,606	7,861,176
Office expenses	81,179	438,429	258,463	126,622	904,693	696,163	12,466	-	708,629	1,613,322	1,927,353
Travel	1,469	671,488	785,988	15,129	1,474,074	46,551	19	-	46,570	1,520,644	1,571,044
Conferences, conventions and meetings	6,114	3,172	4,622	150	14,058	30	-	-	30	14,088	41,289
Catering, rental and food	-	-	-	-	-	-	-	16,682	16,682	16,682	208,052
Insurance	39,507	770,253	736,659	113,116	1,659,535	143,554	-	-	143,554	1,803,089	2,007,654
Information technology	33,347	249,120	167,469	15,538	465,474	52,095	955	-	53,050	518,524	693,890
Advertising, dues and subscriptions	27,829	48,910	73,896	1,692	152,327	47,204	5,526	-	52,730	205,057	229,690
Consumer-related expenses	59,256	825,163	679,963	23,895	1,588,277	-	54	-	54	1,588,331	2,033,074
Interest	-	384,908	1,002	-	385,910	35,526	-	-	35,526	421,436	378,684
Bad debt expense	-	-	99,998	-	99,998	-	-	-	-	99,998	-
Interest - debt issuance costs	-	35,373	-	-	35,373	-	-	-	-	35,373	13,294
Miscellaneous expenses	11,160	20,940	10,008	13,193	55,301	5,649	318	-	5,967	61,268	154,130
Depreciation and amortization	29,378	564,502	164,495	-	758,375	86,540	-	-	86,540	844,915	766,580
Total expenses	11,680,968	29,841,874	32,997,567	3,507,829	78,028,238	7,773,000	232,785	16,682	8,022,467	86,050,705	88,764,565
Cost of direct benefits of special events	-	-	-	-	-	-	-	(16,682)	(16,682)	(16,682)	(208,052)
Total expenses reported by function on the statement of activities	$ 11,680,968	$ 29,841,874	$ 32,997,567	$ 3,507,829	$ 78,028,238	$ 7,773,000	$ 232,785	$ -	$ 8,005,785	$ 86,034,023	$ 88,556,513

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

QSAC, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from program services	$ 78,590,996	$ 85,432,907
Cash received from government grants and contracts	1,976,727	1,028,269
Cash received from contributions	1,851,301	1,857,413
Cash received from other revenue	1,311,243	981,586
Cash received from special events	128,246	593,222
Cash Provided By Operating Activities	83,858,513	89,893,397
Cash paid for personnel costs	(66,701,496)	(66,598,609)
Cash paid for other than personnel costs	(19,582,933)	(20,788,824)
Cash paid for special events	(16,682)	(208,052)
Cash paid for interest	(456,809)	(391,978)
Cash Disbursed For Operating Activities	(86,757,920)	(87,987,463)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(2,899,407)	1,905,934
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds (purchase) of certificates of deposit	360,224	(16,641)
Purchase of property and equipment	(656,791)	(2,820,099)
NET CASH USED IN INVESTING ACTIVITIES	(296,567)	(2,836,740)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) proceeds from line of credit	(1,450,817)	56,101
Payments of capital lease obligation	(236,200)	(170,585)
Proceeds from Paycheck Protection Program loan payable	7,000,000	-
Proceeds from loans payable	1,097,140	2,609,515
Payments of loans payable	(610,056)	(671,382)
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,800,067	1,823,649
NET CHANGE IN CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED	2,604,093	892,843
CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED, BEGINNING OF YEAR	6,940,077	6,047,234
CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED, END OF YEAR	$ 9,544,170	$ 6,940,077
CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED, IS INCLUDED IN THE STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2020 AND 2019 AS FOLLOWS:		
Cash and cash equivalents	$ 9,504,233	$ 6,814,552
Debt service reserve funds	39,937	125,525
Total	$ 9,544,170	$ 6,940,077

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

QSAC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

QSAC, Inc. ("QSAC") is an award-winning not-for-profit organization dedicated to providing services to persons with autism spectrum throughout New York City and Long Island. QSAC was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC"). QSAC's primary source of revenue is program services and education fees.

Adoption of FASB ASU No. 2016-18 - *Statement of Cash Flows (Topic 230): Restricted Cash*

Effective July 1, 2019, QSAC adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, on a modified retrospective basis. This ASU requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents.

The adoption of this ASU resulted in changes in the presentation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Summarized Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with QSAC's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Use of Estimates

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

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments (cont'd.)

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting QSAC's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At June 30, 2020, the cost basis of QSAC's financial instruments, including cash and cash equivalents, program services receivable, and accounts payable and accrued expenses, approximated fair value due to the short maturity of these instruments.

Refer to Note 4 - Fair Value Measurements for assets measured at fair value.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

Investments

Investments are stated at the readily determinable fair market value in accordance with the Not-for-Profit Entities topic of FASB Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*. All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Dividends and interest income are recognized when received and realized capital gains or losses and recognized upon the sale of the security using the trade-date basis.

Allowance for Doubtful Accounts

QSAC determines whether an allowance for uncollectible accounts should be provided for receivables. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. QSAC has established an allowance for doubtful receivables of approximately $69,000 at June 30, 2020.

Prepaid Expenses

Prepaid expenses result from expenditures for goods and services before the goods are used or services are received. Prepaid expenses are deferred and charged to operations as the goods are used or services received.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

Debt Service Reserve Funds

These amounts represent cash which is set aside under the terms of the bond agreement.

Property and Equipment

Property and equipment is recorded at cost, except for donated assets which are recorded at fair market value at the date of donation. 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. QSAC capitalizes all purchases of property and equipment equal to or in excess of $5,000. Repairs and maintenance are charged to expense in the period incurred.

Depreciation and amortization of property and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	45 years
Leasehold improvements	5 to 15 years
Building improvements	10 to 15 years
Furniture and equipment	5 years
Vehicles	5 years

Long-Lived Assets

QSAC reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. The amount of impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value. There was no such impairment loss during the year ended June 30, 2020.

Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at June 30, 2020.

Contract Liabilities

Contract liabilities represent revenue that has been deferred for the funds advanced by third party payors for QSAC's contracts received related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding sources for QSAC's contracts for services not yet performed that are expected to be performed within the next fiscal year. There were no contract liabilities at June 30, 2020.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

Third-Party Reimbursement

QSAC receives substantially all its revenue for services provided to approved clients from third-party reimbursement agencies; primarily the New York State Office for People with Developmental Disabilities ("OPWDD"), the New York State Education Department ("SED") and the New York State Department of Health ("DOH"). These revenues are subject to audit and retroactive adjustment by the respective third-party intermediary.

Debt Issuance Costs

Debt issuance costs are presented in the statement of financial position as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Debt issuance costs are amortized over the term of the debt and are included in interest - debt issuance costs in the accompanying financial statements.

Amortization expense related to capitalized loan and closing costs amounted to $35,373 for the year ended June 30, 2020.

Net Assets

Net assets without donor restrictions include funds having no restrictions as to use or purpose imposed by donors. Board designated funds represent funds designated by the Board of Directors as a special allocation for enhancing specific program activities. Net assets with donor restrictions are those net assets that are restricted by the donors for specific purposes.

Contributions

Contributions are provided to QSAC either with or without donor restrictions. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts and grants, with or without restrictions	
Gifts and grants that depend on QSAC overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.,* the donor-imposed barrier is met
Unconditional gifts and grants, with or without restrictions	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

Contributions (cont'd.)

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Government Grants and Contracts

Support funded by government grants and contracts is recognized as QSAC meets the conditions prescribed by the contract, performs the contracted services or incurs outlays eligible for reimbursement under the contracts. As the conditions are met, QSAC simultaneously releases the government contracts and they are reflected as without donor restrictions. Contract activities and outlays are subject to audit and acceptance by the funding agency and, as a result of such audit, adjustments could be required.

Operating Leases

Operating lease expense has been recorded on the straight-line basis over the life of the lease. Deferred rent has been recorded for the difference between the fixed payment and rent expense.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of QSAC. Those expenses include staffing and general operating expenses. Shared staff include therapists, other program administration and support staff, and maintenance staff. Therapists are allocated monthly based on actual service delivery. Other program administration and support staff are allocated by student full-time equivalents. Maintenance staff are allocated based on a square footage basis. All other staff are allocated using time studies or the ratio value method. General operating expenses are allocated based upon the methodology set forth by the New York State Consolidated Fiscal Report ("CFR") Instruction Manual, Appendix J.

Accounting for Uncertainty in Income Taxes

QSAC assesses tax positions in accordance with FASB ASC Topic 740 and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. QSAC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. QSAC believes it is no longer subject to income tax examinations prior to 2017.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncement

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For not-for-profit entities that are conduit bond obligors, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2019, and interim periods within those fiscal years, based on the decision in ASU No. 2020-05 to defer the implementation dates.

QSAC has not yet determined if this ASU will have a material effect on its financial statements.

Note 2 - Revenue from Contracts with Government Agencies

Service Revenue

QSAC receives funding from various government agencies, including OPWDD, SED, and DOH, to provide services to individuals with developmental disabilities. Revenue is reported at the amount that reflects the consideration to which QSAC expects to be entitled in exchange for providing the support and services. These amounts are due from third-party payors (including government programs), individuals (including Social Security ("SSA") and Supplemental Security Income ("SSI") benefits) and others, and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. As part of its reimbursement process, SED adjusts the tuition rates paid to reflect actual allowable expenditures based on the Consolidated Fiscal Report filed with SED. QSAC estimates these adjustments and records them during each fiscal year. As of June 30, 2020, QSAC's latest adjusted and reconciled tuition rate is for the school year ended June 30, 2016. The subsequent year's adjustments have been accrued in these financial statements.

Generally, QSAC bills individuals and third-party payors after the services are performed or they have completed their portion of the contract. Receivables are due in full when billed, and revenue is recognized as performance obligations are satisfied.

Note 2 - Revenue from Contracts with Government Agencies (cont'd.)

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by QSAC in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided based on per diem or monthly rates. QSAC believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. QSAC measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

Because all of its performance obligations relate to contracts with a duration of less than one year, QSAC has elected to apply the optional exemption provided in FASB ASC Subtopic 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation, which is usually at each month end.

QSAC determines the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction price is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency and school district. QSAC has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and service lines. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Third-Party Payors

Agreements with third-party payors typically provide for payments at established charges. A summary of the payment arrangements with major third-party payors is as follows:

Medicaid: Reimbursements for day and residential services are generally paid for each type of service provided. Certain of these rates may be subject to final settlement as determined after submission of annual cost reports by QSAC.

School Districts and Counties: Reimbursement for education and early intervention services are generally paid as those services are provided. Certain of these rates are subject to final settlement as determined after submission of annual cost reports by QSAC.

OPWDD and Other: Payment agreements with private payors based on pre-determined rates for established services as they are provided, on a monthly basis.

Note 2 - Revenue from Contracts with Government Agencies (cont'd.)

SSA and SSI

Generally, individuals who receive long-term residential support and services are responsible for a portion of their cost of care, which is based on the individual's income level. QSAC estimates the transaction price is based on government guidelines and historical experience.

Significant Judgments

Laws and regulations concerning government programs are complex and subject to varying interpretation. There can be no assurance that regulatory authorities will not challenge QSAC's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon QSAC.

From time to time, QSAC will receive overpayments resulting in amounts owed back to the government agency. In addition, contracts that QSAC has with certain government agencies provide for reconciliation and retroactive audit and review of documentation and annual report filings. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2020, QSAC has an estimated liability for amounts due to government agencies of $2,018,009.

Disaggregation of Revenue

The composition of revenue by program and primary payor, as well as revenue by reimbursement method for the year ended June 30, 2020 is as follows:

	OPWDD	Medicaid Including SSA and SSI	School Districts & Counties	Other	Total
Individual Residential Alternative	$ 441,192	$ 27,968,128	$ -	$ 1,346,839	$ 29,756,159
Intermediate Care Facility	-	3,393,062	-	229,114	3,622,176
Day Habilitation	-	29,238,059	-	578,066	29,816,125
Special Education Services	-	-	11,776,353	8,663	11,785,016
Community Habilitation	-	3,826,702	-	7,176	3,833,878
Respite Services	-	1,790,653	-	-	1,790,653
Individual Support Services	-	293,648	-	-	293,648
Early Intervention	-	-	159,048	-	159,048
Access VR	-	-	-	148,603	148,603
Other	-	-	89,182	288,556	377,738
	$ 441,192	$ 66,510,252	$ 12,024,583	$ 2,607,017	$ 81,583,044

Reimbursement Method

Per Diem	$ 78,429,280
Per Month	3,109,389
Established Rates	44,375
	$ 81,583,044

Revenue of $81,583,044 for the year ended June 30, 2020 was recognized as the service transferred over time.

Note 2 - Revenue from Contracts with Government Agencies (cont'd.)

Financing Component

QSAC has elected the practical expedient allowed under FASB ASC Subtopic 606-10-32-18 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to QSAC's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payor pays for that service will be one year or less.

Contract Costs

QSAC has applied the practical expedient provided by FASB ASC Subtopic 340-40-25-4, and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that QSAC otherwise would have recognized is one year or less in duration.

Note 3 - Concentration of Credit Risk

QSAC maintains cash and certificate of deposit balances in several financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000 per institution. From time to time, QSAC's balances may exceed these limits.

Note 4 - Fair Value Measurements

QSAC measures its marketable securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect QSAC's own assumptions of market participant valuation (unobservable inputs).

QSAC's investments in mutual funds and unit investment trusts were valued using Level 1 inputs consisting of quoted market prices of identical securities.

Note 4 - Fair Value Measurements (cont'd.)

Items Measured at Fair Value on a Recurring Basis

The following table presents QSAC's assets that are measured at fair value on a recurring basis at June 30, 2020:

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 156,281	$ 156,281	$ -	$ -
Mutual funds:				
Equities	3,194,174	3,194,174	-	-
Fixed income securities	1,086,795	1,086,795	-	-
Total assets measured at fair value	$ 4,437,250	$ 4,437,250	$ -	$ -

These amounts are included in prepaid expenses and other assets and relate to the 403(b)/457(b)/457(f) Plans, further detailed in Note 13.

Note 5 - Debt Service Reserve Fund

QSAC has a debt service reserve fund in connection with the Nassau County Industrial Development Agency ("NCIDA") bond issuance (see Note 10). This balance is limited to use under terms of debt indentures. Interest earned on this reserve fund will be used to reduce QSAC's payment obligation under the mortgage. The balance at June 30, 2020 is $39,937.

Note 6 - Property and Equipment

Property and equipment, net, at cost, consists of the following at June 30, 2020:

Land	$ 1,408,476
Buildings	10,295,027
Leasehold improvements	2,944,427
Building improvements	6,777,692
Furniture and equipment	2,018,602
Vehicles	1,212,076
	24,656,300
Less: Accumulated depreciation and amortization	10,316,834
	$ 14,339,466

Depreciation and amortization expense relating to property and equipment amounted to $844,915 for the year ended June 30, 2020.

Note 7 - Lines of Credit

QSAC has executed a line of credit for $8,000,000 from a financial institution during the year ended June 30, 2020. The line of credit expires March 31, 2021 and is subject to annual renewal and review. The agreement requires interest to be charged at a rate equal to the prime rate plus 0.5%, which totaled 3.75% at June 30, 2020. This debt is collateralized by the related property. No amount was outstanding at June 30, 2020.

QSAC has executed a line of credit for $2,500,000 from a financial institution during the year ended June 30, 2020 related to acquisition and renovation of property. The line of credit expires March 31, 2021 and is subject to annual renewal and review. The agreement requires interest to be charged at a rate equal to the prime rate plus 0.5%, which totaled 3.75% at June 30, 2020. This debt is collateralized by the related property. No amount was outstanding at June 30, 2020.

Note 8 - Loans Payable

Loans payable consist of the following a June 30, 2020:

Vehicle loans payable to a financing agency, maturing through December 2023, payable in monthly installments ranging from $562 to $916 including interest at a rate of 5.5% per annum. The loans are secured by the related vehicles with a net book value of approximately $62,000.	$ 49,187
Mortgage loans payable to a financial institution, maturing from August 1, 2022 through November 1, 2029, payable in monthly installments ranging from $1,458 to $9,738, including interest at rates ranging from 3.6% to 6.01% per annum. In addition, there are four loans having maturity dates of March 31, 2026, November 1, 2028, July 1, 2029, and November 1, 2029, including balloon payments at the end of the loan terms of $970,880, $1,053,421, $871,782, and $808,045, respectively. The loans are secured by mortgage and security agreements on the related premises with a net book value of approximately $9,576,000.	8,576,500
	8,625,687
Less: Unamortized debt issuance costs	200,040
Total Loans Payable	$ 8,425,647

Debt issuance costs of $337,108 are being amortized to interest expense over the term of the obligation.

Note 8 - Loans Payable (cont'd.)

The aggregate amounts of principal payments on the loans payable during each of the five years following June 30, 2020 and thereafter are as follows:

Years Ending June 30:		
2021	$	618,404
2022		631,620
2023		643,951
2024		618,913
2025		523,590
Thereafter		5,589,209
	$	8,625,687

Note 9 - Long-Term Debt - Paycheck Protection Program Loan

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted to provide emergency assistance for individuals, families, and organizations affected by the coronavirus pandemic. The Paycheck Protection Program ("PPP"), created through the CARES Act and administered by the Small Business Administration ("SBA") with support from the Department of the Treasury, provides qualified organizations with loans of up to $10,000,000. Under the terms of the CARES Act and the PPP, QSAC can apply for and be granted forgiveness for all or a portion of the loan issued to the extent the proceeds are used in accordance with the PPP. At this time, QSAC believes that a portion of the loan will meet the conditions for forgiveness and expects that portion to be recorded as revenue when it is probable that the conditions have been met.

On May 20, 2020, QSAC entered into a $7,000,000 loan agreement with a financial institution under the PPP, established by the CARES Act. QSAC will primarily be utilizing the PPP loan for payroll and occupancy costs and anticipates that a portion, if not all, of the loan may be forgiven. In the event the loan is not forgiven, equal monthly installments of principal and interest will commence in February 2021, which will include interest payable at the rate of 1% per anum. The loan is unsecured and matures on April 30, 2022.	$	7,000,000

Aggregate maturities of long-term debt - Paycheck Protection Program loan are as follows:

Years Ending June 30:		
2021	$	2,292,355
2022		4,707,645
	$	7,000,000

Note 10 - Capital Lease Obligations

Capital lease obligations consist of the following at June 30, 2020:

Capital lease obligation to NCIDA, maturing on July 1, 2029, payable in monthly installments of principal ranging from $4,583 to $6,667, plus interest at a rate ranging from 2.00% to 4.00% per annum. The obligation is secured by the related property and equipment.	$	668,620
Less: Unamortized debt issuance costs		34,587
Total Capital Lease Obligations	$	634,033

This capital lease is secured by the related property and equipment with a gross amount of approximately $1,343,000 and net book value of approximately $1,016,000. Amortization of assets held under the capital lease is included in depreciation and amortization expense.

Debt issuance costs of $54,137 are being amortized to interest expense over the term of the obligation.

The aggregate amounts of principal payments on the bonds payable during each of the five years following June 30, 2020 and thereafter are as follows:

Years Ending June 30:		
2021	$	78,900
2022		81,500
2023		80,200
2024		78,900
2025		82,600
Thereafter		370,395
		772,495
Less: Amount representing interest		103,875
Present value of net minimum payments	$	668,620

Pursuant to the bond indenture noted above, QSAC has money on deposit in a debt service reserve fund held by a trustee. Deposits in the debt service fund are to be used to pay any deficiency with respect to principal and interest payments pertaining to the related bond payable if, and to the extent, QSAC defaults on such payments at the time such payments are due and payable. Assuming QSAC fully complies with all requirements of the bond indenture, the debt service reserve fund will either be returned to QSAC or credited by the trustee against the final payments due. At June 30, 2020, the balance of the debt service reserve fund was $39,937.

Note 11 - Endowment

General

In 2018, QSAC's Board of Directors established The Edna Kleiman Endowment for Autism Services Fund (the "Fund"). The Fund was established as a board designated fund to support QSAC's long-term sustainability, future needs and to fully discharge its mission. The Fund consists of money market funds. As required by U.S. GAAP, net assets associated with an endowment fund, including funds designated by the Board of Directors that function as endowments, are classified and reported based on the existence or absence of the designated restrictions.

Endowment Investment and Spending Policies

The Fund will be accounted for in a separate, segregated fund which will be invested and managed by a financial institution in accordance with the policies for administration and investment management established by QSAC.

QSAC's investment and spending policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term.

Interpretation of Relevant Law

QSAC has established procedures to comply with the provisions of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), a modified version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

QSAC has considered the following factors in making a determination to appropriate or calculate board-designated endowment funds:

1. Duration of the fund
2. General purposes of the organization and the board-designated endowment funds
3. General economic conditions
4. Possible effect of inflation or deflation
5. Expected total return from income and appreciation of investments
6. Other resources of the organization
7. Investment policy of the organization

Endowment net asset composition by type of fund at June 30, 2020 is as follows:

Net assets, beginning of year	$	125,285
Contributions		15,823
Investment income		5,691
Net assets, end of year	$	146,799

Note 12 - Net Assets with Donor Restrictions and Net Assets Released From Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2020:

Scholarships	$	1,010
Educational/residential and other programs		425,454
COVID-19 emergency response		241,281
	$	667,745

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows at June 30, 2020:

Scholarships	$	3,000
Educational/residential and other programs		678,161
COVID-19 emergency response		315,680
	$	996,841

Note 13 - 403(b)/457(b)/457(f) Plans

QSAC had a federally qualified defined contribution plan covering substantially all employees who meet certain eligibility requirements. The amount contributed to the plan is a fixed percentage of participants' compensation. The plan expense amounted to $463,885 for the year ended June 30, 2020.

QSAC maintains an Internal Revenue Code ("IRC") Section 457(f) plan. The plan provides deferred compensation benefits for management and directors, in excess of other QSAC plans and has no contribution limits. The expense for this plan amounted to $464,379 for the year ended June 30, 2020. At June 30, 2020, QSAC has set aside $3,873,174 of cash and cash equivalents and investments for this plan. A liability of the same amount is recorded in accrued salaries and related benefits.

QSAC maintains an IRS Section 457(b) plan. The plan provides deferred compensation benefits for management. The maximum level of the deferrals and employer contributions which may be credited on behalf of any participant in any taxable year under the plan shall not exceed the lesser of 100% of the participant's includible compensation for the taxable year or the IRC limit of $19,500 for the taxable year 2020. There was no expense incurred for this plan for the year ended June 30, 2020. At June 30, 2020, QSAC has set aside $564,076 of cash and cash equivalents and investments for this plan. A liability of the same amount is recorded in accrued salaries and related benefits.

Note 14 - Donated Services, Facilities and Materials

QSAC received donated transportation services for consumers in its programs, with an estimated fair market value of $346,826 for the year ended June 30, 2020 from the New York City Department of Education. In addition, QSAC received various donated services and materials from other sources with an estimated fair market value of $133,172 for the year ended June 30, 2020. Donated services, facilities and materials have been recognized as revenue and expense in the statement of activities. As indicated in the statement of functional expenses, the related expenses have been allocated in accordance with the function benefited.

Note 15 - Available Resources and Liquidity

QSAC regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. QSAC has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposit, and lines of credit. See Note 7 for information about QSAC's lines of credit.

The following reflects QSAC's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	2020	2019
Cash and cash equivalents	$ 9,504,233	$ 6,814,552
Certificates of deposit	1,190,833	1,551,057
Program services receivable, net	12,102,028	9,009,982
Total financial assets	22,797,094	17,375,591
Less: Donor restrictions for specific purposes		
Board designated endowment fund	(146,799)	(125,285)
Net assets with donor restrictions	(667,745)	(502,686)
Financial assets available to meet cash needs for general expenditures within one year	$ 21,982,550	$ 16,747,620

Note 16 - Commitments and Contingencies

QSAC has leased twenty-three properties for program and administrative space under various noncancellable operating agreements, expiring at various dates through 2039 and requiring various minimum annual rental payments. Future minimum lease payments for the five years following June 30, 2020 and thereafter are as follows:

Years Ending June 30:	
2021	$ 5,599,472
2022	5,050,040
2023	4,470,322
2024	4,055,523
2025	3,772,670
Thereafter	21,166,896
	$ 44,114,923

Rent expense was $6,072,147 for the year ended June 30, 2020. During the year ended June 30, 2020, funds expended for rent totaled $5,904,977.

QSAC's program costs are subject to audit by various government agencies. In the opinion of QSAC's management, any liabilities that might be incurred would not have a material effect on QSAC's financial position or results of operations.

As of June 30, 2020, QSAC is party to various litigations which, in the opinion of management and legal counsel, will not have a material adverse impact on the financial position of QSAC.

As a result of the spread of COVID-19 coronavirus, economic uncertainties have risen which are likely to negatively impact the recognition of program services revenue and the collectability of receivables. Other financial impact could occur, though such potential impact is unknown at this time.

Note 17 - Related Party Transactions

One member of QSAC's board of directors is a board member and partial owner of a financial institution where QSAC maintains a money market account of approximately $5,008,000 at June 30, 2020. QSAC earned $20,259 of investment income relating to this account.

Note 18 - Subsequent Events

QSAC has evaluated all events or transactions that occurred after June 30, 2020 through December 18, 2020, which is the date that these financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.

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QSAC, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2018)

QSAC, INC.

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
QSAC, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of QSAC, Inc. ("QSAC"), which comprise the statement of financial position at June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

www.grassicpas.com
An Independent Firm Associated with Moore Stephens International Limited
488 Madison Avenue, 21st Floor
New York, NY 10022
(212) 661-6166 ▪ Fax (212) 755-6748
Offices: New York, NY Jericho, NY Park Ridge, NJ White Plains, NY Ronkonkoma, NY

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of QSAC, Inc. at June 30, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited QSAC, Inc.'s 2018 financial statements, and our report dated November 30, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein at and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, QSAC, Inc. adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, No. 2016-14, and No. 2018-08. Our opinion is not modified with respect to this matter.

Grassi & Co, CPAs, P.C.
GRASSI & CO., CPAs, P.C.

New York, New York
November 22, 2019

QSAC, INC.
STATEMENT OF FINANCIAL POSTION
JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 6,814,552	$ 5,885,384
Certificates of deposit	1,551,057	1,534,416
Program services receivable, net	9,009,982	9,922,148
Prepaid expenses and other assets	6,407,525	6,033,446
Debt service reserve funds	125,525	161,850
Property and equipment, net	14,549,440	12,495,921
TOTAL ASSETS	$ 38,458,081	$ 36,033,165
LIABILITIES AND NET ASSETS		
Liabilities:		
Line of credit	$ 1,450,817	$ 1,394,716
Accounts payable and accrued expenses	3,142,527	3,593,514
Accrued salaries and related benefits	9,501,386	8,964,625
Due to governmental agencies	1,990,295	2,620,740
Deferred rent payable	3,463,950	3,165,123
Loans payable, net	7,960,642	6,022,509
Capital lease obligations, net	834,860	1,005,445
TOTAL LIABILITIES	28,344,477	26,766,672
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Operating	9,485,633	8,826,698
Board designated endowment	125,285	121,351
Total	9,610,918	8,948,049
With donor restrictions	502,686	318,444
TOTAL NET ASSETS	10,113,604	9,266,493
TOTAL LIABILITIES AND NET ASSETS	$ 38,458,081	$ 36,033,165

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

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QSAC, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

		2019			2018
		Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES, GAINS AND OTHER SUPPORT:					
Program service fees		$ 84,520,741	$ -	$ 84,520,741	$ 76,095,623
Government grants and contracts		1,658,714	-	1,658,714	2,667,678
Contributions		894,253	963,160	1,857,413	1,673,569
Other revenue		981,586	-	981,586	374,956
Special events	$ 593,222				
Less: Costs of direct benefits of special events	208,052	385,170	-	385,170	365,675
Net assets released from donor restrictions		778,918	(778,918)	-	-
Total Revenues, Gains and Other Support		89,219,382	184,242	89,403,624	81,177,501
EXPENSES:					
Program services:					
Educational services		10,806,761	-	10,806,761	8,928,548
Service coordination and other services		5,153,129	-	5,153,129	5,365,382
Residential services		30,031,157	-	30,031,157	27,562,188
Habilitation services		33,613,978	-	33,613,978	30,177,525
Supporting services:					
Management and general		8,570,918	-	8,570,918	7,639,577
Fundraising		380,570	-	380,570	423,721
Total Expenses		88,556,513	-	88,556,513	80,096,941
CHANGE IN NET ASSETS		662,869	184,242	847,111	1,080,560
NET ASSETS, BEGINNING OF YEAR		8,948,049	318,444	9,266,493	8,185,933
NET ASSETS, END OF YEAR		$ 9,610,918	$ 502,686	$ 10,113,604	$ 9,266,493

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

QSAC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	Program Services					Supporting Services					
	Educational Services	Service Coordination and Other Services	Residential Services	Habilitation Services	Total	Management and General	Fundraising	Cost of Direct Benefits of Special Events	Total	2019 Total	2018 Total
Salaries	$ 6,931,686	$ 3,156,322	$ 17,076,400	$ 18,994,649	$ 46,159,057	$ 4,523,187	$ 257,169	$ -	$ 4,780,356	$ 50,939,413	$ 45,681,955
Fringe benefits	1,982,682	833,084	5,456,921	5,881,682	14,154,369	1,950,674	90,914	-	2,041,588	16,195,957	14,055,169
Grants and other assistance to individuals	-	520,660	466,613	-	987,273	-	-	-	-	987,273	891,780
Contracted services	354,154	11,627	446,507	1,523,517	2,335,805	166,115	-	-	166,115	2,501,920	1,889,954
Audit and accounting fees	-	-	-	-	-	107,904	-	-	107,904	107,904	102,268
Legal fees	360	4,890	179	898	6,327	23,150	-	-	23,150	29,477	44,625
Fingerprinting	3,906	225	4,664	8,733	17,528	5,239	-	-	5,239	22,767	25,384
Medical supplies	7,365	648	72,136	13,472	93,621	323	-	-	323	93,944	88,495
Occupancy	1,104,262	336,109	2,222,179	3,553,117	7,215,667	645,509	-	-	645,509	7,861,176	7,701,546
Office expenses	156,853	151,102	549,752	353,894	1,211,601	698,705	17,047	-	715,752	1,927,353	1,908,495
Travel	6,439	36,329	697,166	789,755	1,529,689	41,262	93	-	41,355	1,571,044	1,139,602
Conferences, conventions and meetings	7,741	2,759	11,644	13,583	35,727	5,562	-	-	5,562	41,289	29,914
Catering, rental and food	-	-	-	-	-	-	-	208,052	208,052	208,052	130,219
Insurance	29,801	41,670	930,702	860,114	1,862,287	145,367	-	-	145,367	2,007,654	2,311,732
Information technology	53,454	37,977	288,611	226,757	606,799	81,394	5,697	-	87,091	693,890	615,736
Advertising, dues and subscriptions	30,546	5,582	49,823	79,913	165,864	55,366	8,460	-	63,826	229,690	198,110
Consumer-related expenses	70,822	5,890	862,284	1,088,904	2,027,900	5,174	-	-	5,174	2,033,074	2,008,128
Interest	-	-	356,824	2,510	359,334	19,350	-	-	19,350	378,684	343,644
Interest - debt issuance costs	-	-	12,527	88	12,615	679	-	-	679	13,294	30,441
Miscellaneous expenses	38,493	5,778	10,417	59,449	114,137	38,803	1,190	-	39,993	154,130	278,872
	10,778,564	5,150,652	29,515,349	33,451,035	78,895,600	8,513,763	380,570	208,052	9,102,385	87,997,985	79,476,069
Depreciation and amortization	28,197	2,477	515,808	162,943	709,425	57,155	-	-	57,155	766,580	751,091
Total expenses	10,806,761	5,153,129	30,031,157	33,613,978	79,605,025	8,570,918	380,570	208,052	9,159,540	88,764,565	80,227,160
Cost of direct benefits of special events	-	-	-	-	-	-	-	(208,052)	(208,052)	(208,052)	(130,219)
Total expenses reported by function on the statement of activities	$ 10,806,761	$ 5,153,129	$ 30,031,157	$ 33,613,978	$ 79,605,025	$ 8,570,918	$ 380,570	$ -	$ 8,951,488	$ 88,556,513	$ 80,096,941

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

QSAC, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from program services	$ 85,432,907	$ 77,351,316
Cash received from government grants and contracts	1,028,269	2,722,273
Cash received from contributions	1,857,413	1,673,569
Cash received from other revenue	981,586	374,956
Cash received from special events	593,222	495,894
Cash Provided By Operating Activities	89,893,397	82,618,008
Cash paid for personnel costs	(66,598,609)	(60,845,813)
Cash paid for other than personnel costs	(20,788,824)	(19,836,931)
Cash paid for special events	(208,052)	(130,219)
Cash paid for interest	(391,978)	(343,644)
Cash Disbursed For Operating Activities	(87,987,463)	(81,156,607)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,905,934	1,461,401
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificates of deposit	(16,641)	(12,171)
Purchase of property and equipment	(2,820,099)	(1,730,074)
NET CASH USED IN INVESTING ACTIVITIES	(2,836,740)	(1,742,245)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	2,609,515	-
Proceeds from line of credit	56,101	1,394,716
Payments to debt service reserve funds	36,325	2,675
Payments of capital lease obligation	(170,585)	(140,000)
Payments of loans payable	(671,382)	(617,782)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,859,974	639,609
NET CHANGE IN CASH AND CASH EQUIVALENTS	929,168	358,765
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,885,384	5,526,619
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,814,552	$ 5,885,384

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

QSAC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

QSAC, Inc. (“QSAC”) is an award-winning nonprofit organization dedicated to providing services to persons with autism spectrum throughout New York City and Long Island. QSAC was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the “IRC”). QSAC’s primary source of revenue is program services and education fees.

Changes in Accounting Principles

ASU No. 2014-09

Effective July 1, 2018, QSAC adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”) using a modified retrospective method of adoption to all contracts with customers at July 1, 2018. ASU 2014-09 requires QSAC to recognize revenue to depict the provision of services to individuals with developmental disabilities in amounts that reflect the consideration to which QSAC expects to be entitled in exchange for those services. The amount to which QSAC expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing the services. Because contracts are generally complete within a year, QSAC used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the year ended June 30, 2019.

ASU No. 2016-14

Effective July 1, 2018, QSAC adopted the provisions of FASB ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”) on a retrospective basis. This ASU provides for changes in financial statement presentation that affect classification of net assets, statement of cash flows and presentation of expenses. It also provides for enhanced disclosures of board designated funds, methods used to allocate costs among functions and available resources and liquidity.

ASU No. 2018-08

Effective July 1, 2018, QSAC adopted the provisions of FASB ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”) on a modified prospective basis. This ASU provides for guidance to assist QSAC in evaluating the transfer of assets and the nature of the related transactions. QSAC considers whether a contribution is either conditional based on whether an agreement includes a barrier that must be overcome and a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. The presence of both indicates that the recipient is not entitled to the transferred assets or a future transfer of assets until it has overcome any barriers in the agreement.

The adoption of these ASUs resulted in changes in presentation of financial statements and the related disclosures in the notes to the financial statements.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Summarized Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with QSAC's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Use of Estimates

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

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting QSAC's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments (cont'd.)

At June 30, 2019, the cost basis of QSAC's financial instruments, including cash and cash equivalents, program services receivable, accounts payable and accrued expenses, and due to governmental agencies, approximated fair value due to the short maturity of these instruments.

Refer to Note 4 - Fair Value Measurements for assets measured at fair value.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

Investments

Investments are stated at the readily determinable fair market value in accordance with the Not-for-Profit Entities topic of FASB Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*.

Allowance for Doubtful Accounts

QSAC determines whether an allowance for uncollectible accounts should be provided for receivables. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. QSAC has established an allowance for doubtful receivables of approximately $69,000 at June 30, 2019.

Prepaid Expenses

Prepaid expenses result from expenditures for goods and services before the goods are used or services are received. Prepaid expenses are deferred and charged to operations as the goods are used or services received.

Debt Service Reserve Funds

These amounts represent cash which is set aside under the terms of the bond agreement.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

Property and Equipment

Property and equipment is recorded at cost, except for donated assets which are recorded at fair market value at the date of donation. 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. QSAC capitalizes all purchases of property and equipment equal to or in excess of $5,000. Repairs and maintenance are charged to expense in the period incurred.

Depreciation and amortization of property and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	45 years
Leasehold improvements	5 to 15 years
Building improvements	10 to 15 years
Furniture and equipment	5 years
Vehicles	5 years

Long-Lived Assets

QSAC reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. The amount of impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value. There was no such impairment loss during the year ended June 30, 2019.

Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at June 30, 2019.

Contract Liabilities

Contract liabilities represent revenue that has been deferred for the funds advanced by third party payors for QSAC's contracts received related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding sources for QSAC's contracts for services not yet performed that are expected to be performed within the next fiscal year. There were no contract liabilities at June 30, 2019.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

Debt Issuance Costs

Debt issuance costs are presented in the statement of financial position as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Debt issuance costs are amortized over the term of the debt and are included in interest - debt issuance costs in the accompanying financial statements.

Amortization expense related to capitalized loan and closing costs amounted to $32,348 for the year ended June 30, 2019.

Net Assets

Net assets without donor restrictions include funds having no restrictions as to use or purpose imposed by donors. Board designated funds represent funds designated by the Board of Trustees as a special allocation for enhancing specific program activities. Net assets with donor restrictions are those net assets that are restricted by the donors for specific purposes.

Contributions

Contributions received and unconditional promises to give are recorded as contributions at fair value in the period received and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recorded net of estimated uncollectible amounts. QSAC records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions that the donor requires to be used to acquire long-lived assets (e.g. buildings and improvements, furniture, fixtures and equipment) are reported as net assets with donor restrictions. Once the long-lived assets have been acquired or constructed, it is QSAC's policy to reflect the contribution or donation of the long-lived asset in net assets without donor restrictions through a reclassification of net assets.

Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

Contributions of donated services are reported as revenue and expenses at fair value if such services create or enhance nonfinancial assets, or require special skills and are provided by individuals possessing such special skills and would typically need to be purchased by QSAC if they had not been donated.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

Operating Leases

Operating lease expense has been recorded on the straight-line basis over the life of the lease. Deferred rent has been recorded for the difference between the fixed payment and rent expense.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of QSAC. Those expenses include staffing and general operating expenses. Shared staff include therapists, other program administration and support staff, and maintenance staff. Therapists are allocated monthly based on actual service delivery. Other program administration and support staff are allocated by student full-time equivalents. Maintenance staff are allocated based on a square footage basis. All other staff are allocated using time studies or the ratio value method. General operating expenses are allocated based upon the methodology set forth by the New York State Consolidated Fiscal Report ("CFR") Instruction Manual, Appendix J.

Accounting for Uncertainty in Income Taxes

QSAC assesses tax positions in accordance with FASB ASC Topic 740 and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. QSAC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. QSAC believes it is no longer subject to income tax examinations prior to 2016.

New Accounting Pronouncements

ASU No. 2016-18

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force).* This ASU requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. Current guidance does not specify how to present restricted cash and restricted cash equivalents in the statement of cash flows, thus there is diversity in practice.

The amendments in ASU No. 2016-18 should be applied using a retrospective transition method to each period presented and are effective for nonpublic entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases.*

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early application is permitted for all entities.

QSAC has not yet determined if these ASUs will have a material effect on its financial statements.

Note 2 - Revenue from Contracts with Government Agencies

Service Revenue

QSAC receives funding from various government agencies, including the New York State Office for People with Developmental Disabilities ("OPWDD") and New York State Education Department ("SED") and the New York State Department of Health ("DOH"), to provide services to individuals with developmental disabilities. Revenue is reported at the amount that reflects the consideration to which QSAC expects to be entitled in exchange for providing the support and services. These amounts are due from third-party payors (including government programs), individuals (including Social Security ("SSA") and Supplemental Security Income ("SSI") benefits) and others, and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. As part of its reimbursement process, SED adjusts the tuition rates paid to reflect actual allowable expenditures based on the Consolidated Fiscal Report filed with SED. QSAC estimates these adjustments and records them during each fiscal year. As of June 30, 2019, QSAC's latest adjusted and reconciled tuition rate is for the school year ended June 30, 2016. The subsequent year's adjustments have been accrued in these financial statements.

Generally, QSAC bills individuals and third-party payors after the services are performed or they have completed their portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

Note 2 - Revenue from Contracts with Government Agencies (cont'd.)

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by QSAC in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided based on per diem or monthly rates. QSAC believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. QSAC measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

Because all of its performance obligations relate to contracts with a duration of less than one year, QSAC has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation, which is usually at each month end.

QSAC determines the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction price is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency and school district. QSAC has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and service lines. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Third-Party Payors

Agreements with third-party payors typically provide for payments at established charges. A summary of the payment arrangements with major third-party payors is:

Medicaid: Reimbursements for day and residential services are generally paid for each type of service provided. Certain of these rates may be subject to final settlement as determined after submission of annual cost reports by QSAC.

School Districts and Counties: Reimbursement for education and early intervention services are generally paid as those services are provided. Certain of these rates are subject to final settlement as determined after submission of annual cost reports by QSAC.

OPWDD and Other: Payment agreements with private payors based on pre-determined rates for established services as they are provided, on a monthly basis.

Note 2 - Revenue from Contracts with Government Agencies (cont'd.)

SSA and SSI

Generally, individuals who receive long-term residential supports and services are responsible for a portion of their cost of care, which is based on the individual's income level. QSAC estimates the transaction price is based on government guidelines and historical experience.

Significant Judgments

Laws and regulations concerning government programs are complex and subject to varying interpretation. There can be no assurance that regulatory authorities will not challenge QSAC's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon QSAC.

From time to time, QSAC will receive overpayments resulting in amounts owed back to the government agency. In addition, contracts that QSAC has with certain government agencies provide for reconciliation and retroactive audit and review of documentation and annual report filings. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2019, QSAC has an estimated liability for amounts due to government agencies of $1,990,295.

Disaggregation of Revenue

The composition of revenue by program and primary payor, as well as revenue by reimbursement method for the year ended June 30, 2019 is as follows:

	OPWDD	Medicaid Including SSA and SSI	School Districts & Counties	Other	Total
Individual Residential Alternative	$ 416,263	$ 28,048,343	$ -	$ -	$ 28,464,606
Intermediate Care Facility	-	4,716,947	-	-	4,716,947
Day Habilitation	-	30,058,352	-	-	30,058,352
Special Education Services	-	-	10,938,592	13,687	10,952,279
Community Habilitation	-	3,775,902	-	-	3,775,902
Respite Services	-	1,867,711	-	-	1,867,711
Care Management	-	-	-	3,440,338	3,440,338
Individual Support Services	-	346,607	-	-	346,607
Early Intervention	-	-	332,646	-	332,646
Access VR	-	-	-	10,119	10,119
Other	-	406,249	148,985	-	555,234
	$ 416,263	$ 69,220,111	$ 11,420,223	$ 3,464,144	$ 84,520,741

Reimbursement Method

Per Diem	$81,522,971
Per Month	2,956,020
Established Rates	41,750
	$84,520,741

Revenue of $84,520,741 for the year ended June 30, 2019 was recognized as the service transferred over time.

Note 2 - Revenue from Contracts with Government Agencies (cont'd.)

Financing Component

QSAC has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to QSAC's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payor pays for that service will be one year or less.

Contract Costs

QSAC has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that QSAC otherwise would have recognized is one year or less in duration.

Note 3 - Concentration of Credit Risk

QSAC maintains cash and certificate of deposit balances in several financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000 per institution. From time to time, QSAC's balances may exceed these limits.

Note 4 - Fair Value Measurements

QSAC measures its marketable securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect QSAC's own assumptions of market participant valuation (unobservable inputs).

QSAC's investments in mutual funds and unit investment trusts were valued using Level 1 inputs consisting of quoted market prices of identical securities.

QSAC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 4 - Fair Value Measurements (cont'd.)

Items Measured at Fair Value on a Recurring Basis

The following table presents QSAC's assets that are measured at fair value on a recurring basis at June 30, 2019:

	Total	Level 1	Level 2	Level 3
Mutual Funds:				
Equities	$ 3,277,396	$ 3,277,396	$ -	$ -
Fixed income securities	867,320	867,320	-	-
Alternative investments	2,999	2,999	-	-
Total assets measured at fair value	$ 4,147,715	$ 4,147,715	$ -	$ -

These amounts are included in prepaid expenses and other assets and relate to the 403(b)/457(b)/457(f) Plans, further detailed in Note 12.

Note 5 - Debt Service Reserve Funds

QSAC has debt service reserve funds in connection with the New York City Industrial Development Agency ("NYCIDA") and with Nassau County Industrial Development Agency ("NCIDA") bond issuances (see Note 9). These balances are limited to use under terms of debt indentures. Interest earned on these reserve funds will be used to reduce QSAC's payment obligation under the mortgages. The balance at June 30, 2019 is $125,525.

Note 6 - Property and Equipment

Property and equipment, net, at cost, consists of the following at June 30, 2019:

Land	$ 1,408,476
Buildings	10,295,027
Leasehold improvements	2,925,427
Building improvements	6,207,139
Furniture and equipment	2,023,715
Vehicles	1,268,443
	24,128,227
Less: Accumulated depreciation and amortization	9,578,787
	$ 14,549,440

Depreciation and amortization expense relating to property and equipment amounted to $766,580 for the year ended June 30, 2019.

Note 7 - Lines of Credit

QSAC has executed a line of credit for $8,000,000 from a financial institution during the year ended June 30, 2019. The line of credit expires December 31, 2019 and is subject to annual renewal and review. The agreement requires interest to be charged at a rate equal to the prime rate plus 0.25%, which totaled 5.75% at June 30, 2019. This debt is collateralized with a general lien on QSAC's assets. No amount was outstanding at June 30, 2019.

QSAC has executed a line of credit for $2,500,000 from a financial institution during the year ended June 30, 2019 related to acquisition and renovation of property. The line of credit expires December 31, 2019 and is subject to annual renewal and review. The agreement requires interest to be charged at a rate equal to the prime rate plus 0.5%, which totaled 6% at June 30, 2019. This debt is collateralized by the related property. The amount outstanding at June 30, 2019 was $1,450,817.

Note 8 - Loans Payable

Loans payable consist of the following at June 30, 2019:

Vehicle loans payable to a financing agency, maturing through February 2020, payable in monthly installments ranging from $509 to $879 including interest at rates ranging from 3.75% to 6.89% per annum. The loans are secured by the related vehicles with a net book value of approximately $13,000.	$ 81,717
Mortgage loans payable to a financial institution, maturing from June 1, 2019 through July 1, 2029, payable in monthly installments ranging from $1,500 to $9,738, including interest at rates ranging from 2.90% to 6.01% per annum. Two of these loans, having a maturity date of August 2, 2024, include balloon payments at the end of the loan terms of $492,651 and $488,463, respectively. In addition, there is a third loan having a maturity date of March 31, 2026, with a balloon payment of $970,880. The loans are secured by mortgage and security agreements on the related premises with a net book value of approximately $7,600,000.	8,068,173
	8,149,890
Less: Unamortized debt issuance costs	189,248
Total Loans Payable	$ 7,960,642

QSAC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8 - Loans Payable (cont'd.)

The aggregate amounts of principal payments on the loans payable during each of the five years following June 30, 2019 and thereafter are as follows:

Years Ending June 30:	
2020	$ 634,807
2021	573,711
2022	592,465
2023	643,018
2024	587,715
Thereafter	5,118,174
	$ 8,149,890

Note 9 - Capital Lease Obligations

Capital lease obligations consist of the following at June 30, 2019:

Capital lease obligations to Nassau County Industrial Development Agency, maturing on July 1, 2020, payable in monthly installments of principal of $12,500, plus interest at a rate of 4.90% per annum. The obligation is secured by the related property and equipment.	$ 150,000
Capital lease obligations to Nassau County Industrial Development Agency, maturing on July 1, 2029, payable in monthly installments of principal ranging from $4,583 to $6,667, plus interest at a rate ranging from 2.00% to 4.00% per annum. The obligation is secured by the related property and equipment.	728,620
	878,620
Less: Unamortized debt issuance costs	43,760
Total Bonds Outstanding	$ 834,860

These capital leases are secured by the related property and equipment with a gross amount of approximately $1,996,000 and net book value of approximately $1,485,000. Amortization of assets held under capital leases is included in depreciation and amortization expense.

Note 9 - Capital Lease Obligations (cont'd.)

The aggregate amounts of principal payments on the bonds payable during each of the five years following June 30, 2019 and thereafter are as follows:

Years Ending June 30:		
2020	$	233,650
2021		78,900
2022		76,500
2023		80,200
2024		78,900
Thereafter		462,995
		1,011,145
Less: Amount representing interest		132,525
Present value of net minimum payments	$	878,620

Pursuant to the various bond indentures noted above, QSAC has money on deposit in a debt service reserve fund held by a trustee. Deposits in the debt service fund are to be used to pay any deficiency with respect to principal and interest payments pertaining to the related bonds payable if, and to the extent, QSAC defaults on such payments at the time such payments are due and payable. Assuming QSAC fully complies with all requirements of the bond indenture, the debt service reserve fund will either be returned to QSAC or credited by the trustee against the final payments due. At June 30, 2019, the balance of the debt service reserve fund was $125,525.

Note 10 - Endowment

General

In 2018, QSAC's board of directors established The Edna Kleiman Endowment for Autism Services Fund (the "Fund"). The Fund was established as an unrestricted board designated fund to support QSAC's long-term sustainability, future needs and to fully discharge its mission. The Fund consists of money market funds. As required by U.S. GAAP, net assets associated with an endowment fund, including funds designated by the Board of Directors that function as endowments, are classified and reported based on the existence or absence of the designated restrictions.

Endowment Investment and Spending Policies

The Fund will be accounted for in a separate, segregated fund which will be invested and managed by a financial institution in accordance with the policies for administration and investment management established by QSAC.

QSAC's investment and spending policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term.

Note 10 - Endowment (cont'd.)

Interpretation of Relevant Law

QSAC has established procedures to comply with the provisions of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), a modified version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

QSAC has considered the following factors in making a determination to appropriate or calculate board-designated endowment funds:

1. Duration of the fund
2. General purposes of the organization and the board-designated endowment funds
3. General economic conditions
4. Possible effect of inflation or deflation
5. Expected total return from income and appreciation of investments
6. Other resources of the organization
7. Investment policy of the organization

Endowment net asset composition by type of fund at June 30, 2019 is as follows:

		Board-Designated Without Donor Restrictions
Net assets, beginning of year	$	121,351
Contributions		-
Unrealized gain on investment		4,832
Investment expenses		(898)
Appropriation of endowment assets for expenditure		-
Net assets, end of year	$	125,285

Note 11 - Net Assets with Donor Restrictions and Net Assets Released From Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2019:

Scholarships	$	393
Educational/residential and other programs		502,293
	$	502,686

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows at June 30, 2019:

Educational/residential and other programs	$	778,918

Note 12 - 403(b)/457(b)/457(f) Plans

QSAC had a federally qualified defined contribution plan covering substantially all employees who meet certain eligibility requirements. The amount contributed to the plan is a fixed percentage of participants' compensation. The plan expense amounted to $826,378 for the year ended June 30, 2019.

On July 1, 2006, QSAC established an Internal Revenue Code ("IRC") Section 457(f) plan. The plan provides deferred compensation benefits for management and directors, in excess of other QSAC plans and has no contribution limits. The expense for this plan amounted to $865,401 for the year ended June 30, 2019. At June 30, 2019, QSAC has set aside $3,653,526 of cash and cash equivalents and investments for this plan. A liability of the same amount is recorded in accrued salaries and related benefits.

In 2007, QSAC established an IRS Section 457(b) plan. The plan provides deferred compensation benefits for management. The maximum level of the deferrals and employer contributions which may be credited on behalf of any participant in any taxable year under the plan shall not exceed the lesser of 100% of the participant's includible compensation for the taxable year or the IRC limit of $18,000 for the taxable year 2019. There was no expense incurred for this plan for the year ended June 30, 2019. At June 30, 2019, QSAC has set aside $550,934 of cash and cash equivalents and investments for this plan. A liability of the same amount is recorded in accrued salaries and related benefits.

Note 13 - Donated Services, Facilities and Materials

QSAC received donated transportation services for consumers in its programs, with an estimated fair market value of $615,165 for the year ended June 30, 2019 from the New York City Department of Education. In addition, QSAC received various donated services and materials from other sources with an estimated fair market value of $295,584 for the year ended June 30, 2019. Donated services, facilities and materials have been recognized as revenue and expense in the statement of activities. As indicated in the statement of functional expenses, the related expenses have been allocated in accordance with the function benefited.

Note 14 - Available Resources and Liquidity

QSAC regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. QSAC has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposit, and lines of credit. See Note 7 for information about QSAC's lines of credit.

The following reflects QSAC's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

Note 14 - Available Resources and Liquidity (cont'd.)

Cash and cash equivalents	$ 6,814,552
Certificates of deposit	1,551,057
Program services receivable, net	9,009,982
Total financial assets	17,375,591
Less: Donor restrictions for specific purposes	
Board designated endowment	(125,285)
Net assets with donor restrictions	(502,686)
Financial assets available to meet cash needs for general expenditures within one year	$ 16,747,620

Note 15 - Commitments and Contingencies

QSAC has leased twenty-three properties for program and administrative space under various noncancellable operating agreements, expiring at various dates through 2039 and requiring various minimum annual rental payments. Future minimum lease payments for the five years following June 30, 2019 and thereafter are as follows:

Years Ending June 30:	
2020	$ 4,873,457
2021	4,615,377
2022	4,406,711
2023	4,282,859
2024	3,693,000
Thereafter	21,610,760
	$ 43,482,164

Rent expense was $6,051,219 for the year ended June 30, 2019. During the year ended June 30, 2019, funds expended to rent totaled $5,755,392.

QSAC's program costs are subject to audit by various government agencies. In the opinion of QSAC's management, any liabilities that might be incurred would not have a material effect on QSAC's financial position or results of operations.

As of June 30, 2019, QSAC is party to various litigations which, in the opinion of management and legal counsel, will not have a material adverse impact on the financial position of QSAC.

Note 16 - Related Party Transactions

One member of QSAC's board of directors is a board member and partial owner of a financial institution where QSAC maintains a money market account of approximately $1,377,000 at June 30, 2019. QSAC earned $23,029 of investment income relating to this account.

Note 17 - Subsequent Events

QSAC has evaluated all events or transactions that occurred after June 30, 2019 through November 22, 2019, which is the date that these financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.

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QSAC, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2017)

QSAC, INC.

CONTENTS

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
QSAC, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying statement of financial position of QSAC, Inc. ("QSAC") at June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

www.grassicpas.com
An Independent Firm Associated with Moore Stephens International Limited
488 Madison Avenue, 21st Floor
New York, NY 10022
(212) 661-6166 ▪ Fax (212) 755-6748
Offices: New York, NY · Jericho, NY · Park Ridge, NJ · White Plains, NY · Ronkonkoma, NY

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of QSAC, Inc. at June 30, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited QSAC, Inc.'s 2017 financial statements, and our report dated November 27, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein at and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
November 30, 2018

QSAC, INC.
STATEMENT OF FINANCIAL POSTION
JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	$ 5,885,384	$ 5,526,619
Certificates of deposit	1,534,416	1,522,245
Program services receivable, net	9,922,148	8,592,010
Prepaid expenses and other assets	6,033,446	5,327,262
Debt service reserve funds	161,850	164,525
Property and equipment, net	12,495,921	11,516,935
TOTAL ASSETS	$ 36,033,165	$ 32,649,596
LIABILITIES AND NET ASSETS		
Liabilities:		
Line of credit	$ 1,394,716	$ -
Accounts payable and accrued expenses	3,593,514	4,139,512
Accrued salaries and related benefits	8,964,625	7,855,936
Due to governmental agencies	2,620,740	1,933,769
Deferred rent payable	3,165,123	2,779,154
Loans payable, net	6,022,509	6,620,543
Capital lease obligations, net	1,005,445	1,134,749
TOTAL LIABILITIES	26,766,672	24,463,663
Commitments and contingencies		
Net assets:		
Unrestricted:		
Operating	8,826,698	7,863,841
Board designated endowment	121,351	-
Total unrestricted	8,948,049	7,863,841
Temporarily restricted	318,444	322,092
TOTAL NET ASSETS	9,266,493	8,185,933
TOTAL LIABILITIES AND NET ASSETS	$ 36,033,165	$ 32,649,596

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

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QSAC, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

		2018			2017
		Unrestricted	Temporarily Restricted	Total	Total
REVENUES, GAINS AND OTHER SUPPORT:					
Program service fees		$ 76,095,623	$ -	$ 76,095,623	$ 71,086,658
Government grants and contracts		2,667,678	-	2,667,678	3,299,521
Contributions		864,369	809,200	1,673,569	1,333,486
Other revenue		374,956	-	374,956	698,892
Special events	$ 495,894				
Less: Costs of direct benefits of special events	130,219	365,675	-	365,675	390,251
Net assets released from donor restrictions		812,848	(812,848)	-	-
Total Revenues, Gains and Other Support		81,181,149	(3,648)	81,177,501	76,808,808
EXPENSES:					
Program services:					
Educational services		8,928,548	-	8,928,548	6,926,574
Service coordination and other services		5,365,382	-	5,365,382	4,623,576
Residential services		27,562,188	-	27,562,188	26,401,450
Habilitation services		30,177,525	-	30,177,525	29,304,715
Supporting services:					
Management and general		7,639,577	-	7,639,577	7,826,322
Fundraising		423,721	-	423,721	394,249
Total Expenses		80,096,941	-	80,096,941	75,476,886
CHANGE IN NET ASSETS		1,084,208	(3,648)	1,080,560	1,331,922
NET ASSETS, BEGINNING OF YEAR		7,863,841	322,092	8,185,933	6,854,011
NET ASSETS, END OF YEAR		$ 8,948,049	$ 318,444	$ 9,266,493	$ 8,185,933

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

QSAC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	Program Services					Supporting Services					
	Educational Services	Service Coordination and Other Services	Residential Services	Habilitation Services	Total	Management and General	Fundraising	Cost of Direct Benefits of Special Events	Total	2018 Total	2017 Total
Salaries	$ 5,728,217	$ 3,331,392	$ 15,251,590	$ 16,957,559	$ 41,268,758	$ 4,129,685	$ 283,512	$ -	$ 4,413,197	$ 45,681,955	$ 43,605,112
Fringe benefits	1,512,097	905,486	4,706,053	5,129,185	12,252,821	1,699,743	102,605	-	1,802,348	14,055,169	13,412,435
Grants and other assistance to individuals	-	448,869	442,911	-	891,780	-	-	-	-	891,780	781,577
Contracted services	241,005	19,660	510,775	981,385	1,752,825	137,129	-	-	137,129	1,889,954	973,743
Audit and accounting fees	33	-	-	-	33	102,235	-	-	102,235	102,268	101,664
Legal fees	-	-	1,080	2,393	3,473	41,152	-	-	41,152	44,625	49,284
Fingerprinting	6,846	583	4,001	13,360	24,790	583	11	-	594	25,384	32,425
Medical supplies	7,393	1,736	69,565	9,735	88,429	66	-	-	66	88,495	83,690
Occupancy	1,035,814	289,106	2,274,214	3,447,559	7,046,693	654,853	-	-	654,853	7,701,546	7,018,454
Office expenses	124,970	169,918	670,601	493,300	1,458,789	433,937	15,769	-	449,706	1,908,495	1,766,907
Travel	3,430	36,072	508,731	566,508	1,114,741	24,813	48	-	24,861	1,139,602	1,141,551
Conferences, conventions and meetings	4,706	4,570	8,444	10,212	27,932	1,982	-	-	1,982	29,914	35,063
Catering, rental and food	-	-	-	-	-	-	-	130,219	130,219	130,219	140,028
Insurance	23,959	60,347	1,102,716	961,893	2,148,915	160,740	2,077	-	162,817	2,311,732	2,428,168
Information technology	51,554	45,516	247,279	182,383	526,732	81,262	7,742	-	89,004	615,736	644,505
Lobbying services	-	-	-	-	-	-	-	-	-	-	816
Advertising, dues and subscriptions	21,705	7,379	33,869	61,602	124,555	62,038	11,517	-	73,555	198,110	212,119
Consumer-related expenses	63,457	30,338	875,329	1,029,763	1,998,887	9,241	-	-	9,241	2,008,128	1,883,411
Interest	-	-	304,467	2,866	307,333	36,311	-	-	36,311	343,644	377,265
Interest- debt issuance costs	-	-	28,300	2,141	30,441	-	-	-	-	30,441	30,441
Miscellaneous expenses	75,107	11,649	(4,534)	154,080	236,302	42,130	440	-	42,570	278,872	182,667
	8,900,293	5,362,621	27,035,391	30,005,924	71,304,229	7,617,900	423,721	130,219	8,171,840	79,476,069	74,901,325
Depreciation and amortization	28,255	2,761	526,797	171,601	729,414	21,677	-	-	21,677	751,091	715,292
Total expenses	8,928,548	5,365,382	27,562,188	30,177,525	72,033,643	7,639,577	423,721	130,219	8,193,517	80,227,160	75,616,617
Cost of direct benefits of special events	-	-	-	-	-	-	-	(130,219)	(130,219)	(130,219)	(139,731)
Total expenses reported by function on the statement of activities	$ 8,928,548	$ 5,365,382	$ 27,562,188	$ 30,177,525	$ 72,033,643	$ 7,639,577	$ 423,721	$ -	$ 8,063,298	$ 80,096,941	$ 75,476,886

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

QSAC, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from program services	$ 77,351,316	$ 72,417,862
Cash received from government grants and contracts	2,722,273	3,399,075
Cash received from contributions	1,673,569	1,333,486
Cash received from other revenue	374,956	463,233
Cash received from special events	495,894	529,982
Cash Provided By Operating Activities	82,618,008	78,143,638
Cash paid for personnel costs	(60,845,813)	(56,684,690)
Cash paid for other than personnel costs	(19,836,931)	(18,004,010)
Cash paid for special events	(130,219)	(139,731)
Cash paid for interest	(343,644)	(326,685)
Cash Disbursed For Operating Activities	(81,156,607)	(75,155,116)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,461,401	2,988,522
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificates of deposit	(12,171)	(1,522,245)
Purchase of property and equipment	(1,730,074)	(749,097)
NET CASH USED IN INVESTING ACTIVITIES	(1,742,245)	(2,271,342)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	-	38,520
Proceeds from line of credit	1,394,716	-
Payments to debt service reserve funds	2,675	-
Payments of capital lease obligation	(140,000)	(140,000)
Payments of loans payable	(617,782)	(842,473)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	639,609	(943,953)
NET CHANGE IN CASH AND CASH EQUIVALENTS	358,765	(226,773)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,526,619	5,753,392
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,885,384	$ 5,526,619

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

QSAC, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,080,560	$ 1,331,922
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	751,091	715,292
Interest - debt issuance costs	30,441	30,441
Loss on disposal of fixed assets	-	30,875
Deferred rent	385,969	905,917
Changes in assets (increase):		
Program services receivable	(1,330,138)	(310,157)
Prepaid expenses and other assets	(706,184)	(373,219)
Changes in liabilities increase (decrease):		
Accounts payable and accrued expenses	(545,998)	660,183
Accrued salaries and related benefits	1,108,689	(332,857)
Due to governmental agencies	686,971	330,125
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,461,401	$ 2,988,522
SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES:		
Property acquired through long-term financing	$ -	$ 38,520
Cash paid during the year for interest	$ 343,644	$ 326,685

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

Note 1 - Nature of Organization

QSAC, Inc. ("QSAC") is an award-winning nonprofit organization dedicated to providing services to persons with autism spectrum throughout New York City and Long Island. QSAC was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC"). QSAC's primary source of revenue is program services and education fees.

Note 2 - Summary of Significant Accounting Policies

Summarized Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with QSAC's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Basis of Accounting

The financial statements are prepared on the accrual basis in conformity with U.S. GAAP.

Use of Estimates

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

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting QSAC's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments (cont'd.)

At June 30, 2018, the cost basis of QSAC's financial instruments, including cash and cash equivalents, program services receivable, debt service reserve funds, accounts payable and accrued expenses, accrued salaries and related benefits, and due to governmental agencies, approximated fair value due to the short maturity of these instruments.

Refer to Note 4 - Fair Value Measurements for assets measured at fair value.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

Investments

Investments are stated at the readily determinable fair market value in accordance with the Not-for-Profit Entities topic of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*.

Revenues, Program Services Receivable, Allowance for Doubtful Accounts and Due to Governmental Agencies

Revenues and accounts receivable from the New York State Office for Persons with Developmental Disabilities ("OPWDD") and New York State Education Department ("SED") program services are recognized when earned. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, QSAC records due to governmental agencies. At the beginning of each school year, QSAC is granted a provisional rate for its students funded by SED. This provisional rate is adjusted by SED based upon a final expenditure report submitted to them by QSAC subsequent to year-end. Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year-end. Interest income is not accrued or recorded on accounts receivable. At June 30, 2018, QSAC has established an allowance for doubtful receivables of approximately $83,000.

Prepaid Expenses

Prepaid expenses result from expenditures for goods and services before the goods are used or services are received. Prepaid expenses are deferred and charged to operations as the goods are used or services received.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Debt Service Reserve Funds

These amounts represent cash which is set aside under the terms of the bond agreement.

Property and Equipment

Property and equipment is recorded at cost, except for donated assets which are recorded at fair market value at the date of donation. 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. QSAC capitalizes all purchases of property and equipment equal to or in excess of $5,000. Repairs and maintenance are charged to expense in the period incurred.

Depreciation and amortization of property and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	45 years
Leasehold improvements	5 to 15 years
Building improvements	10 to 15 years
Furniture and equipment	5 years
Vehicles	5 years

Long-Lived Assets

QSAC reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. The amount of impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value. There was no such impairment loss during the year ended June 30, 2018.

Debt Issuance Costs

QSAC applies FASB Accounting Standard Update ("ASU") 2015-03, which simplifies the presentation of debt issuance costs and requires debt issuance costs to be presented in the statement of financial position as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Previously, such costs were shown as an asset. Debt issuance costs are amortized over the term of the debt and are included in interest - debt issuance costs in the accompanying financial statements.

Amortization expense related to capitalized loan and closing costs amounted to $30,441 for the year ended June 30, 2018.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Net Assets

Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors. Board designated funds represent funds designated by the Board of Trustees as a special allocation for enhancing specific program activities. Temporarily restricted net assets are those net assets that are restricted by the donors for specific purposes.

Contributions

Contributions received and unconditional promises to give are recorded as contributions at fair value in the period received and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recorded net of estimated uncollectible amounts. QSAC records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions that the donor requires to be used to acquire long-lived assets (e.g. buildings and improvements, furniture, fixtures and equipment) are reported as temporarily restricted. Once the long-lived assets have been acquired or constructed, it is QSAC's policy to reflect the contribution or donation of the long-lived asset in its unrestricted net assets through a reclassification of net assets.

Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

Contributions of donated services are reported as revenue and expenses at fair value if such services create or enhance nonfinancial assets, or require special skills and are provided by individuals possessing such special skills and would typically need to be purchased by QSAC if they had not been donated.

Operating Leases

Operating lease expense has been recorded on the straight-line basis over the life of the lease. Deferred rent has been recorded for the difference between the fixed payment and rent expense.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Accounting for Uncertainty in Income Taxes

QSAC assesses tax positions in accordance with FASB ASC Topic 740 and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. QSAC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. QSAC believes it is no longer subject to income tax examinations prior to 2015.

New Accounting Pronouncements

ASU No. 2016-18

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force).* This ASU requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. Current guidance does not specify how to present restricted cash and restricted cash equivalents in the statement of cash flows, thus there is diversity in practice.

The amendments in ASU No. 2016-18 should be applied using a retrospective transition method to each period presented and are effective for nonpublic entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period.

ASU No. 2016-14

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. This ASU is a result of the recommendations developed by FASB's Not-for-Profit Advisory Committee and FASB's ongoing review of Generally Accepted Accounting Principles (GAAP) standards to improve existing standards to meet the evolving needs of a dynamic financial reporting environment.

The ASU provides for changes in financial statement presentation that affect classification of net assets, presentation of expenses, investment returns and presentation of operating cash flows. It also calls for enhanced disclosures of board designated funds, underwater endowment funds, methods used to allocate costs among functions, and liquidity and availability of resources. The ASU affects all not-for-profit organizations including charities, foundations, colleges and universities, health care providers, religious organizations, trade associations, and cultural institutions, among others.

The amendments of ASU No. 2016-14 are effective for annual financial statements issued for periods beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted for all entities.

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is the result of a joint project of the FASB and the IASB to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

Step 1: Identify the contract with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted under certain circumstances.

QSAC has not yet determined if these ASUs will have a material effect on its financial statements.

Note 3 - Concentration of Credit Risk

QSAC maintains cash and certificate of deposit balances in several financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000 per institution. From time to time, QSAC's balances may exceed these limits.

Note 4 - Fair Value Measurements

QSAC measures its marketable securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect QSAC's own assumptions of market participant valuation (unobservable inputs).

QSAC's investments in mutual funds and unit investment trusts were valued using Level 1 inputs consisting of quoted market prices of identical securities.

Items Measured at Fair Value on a Recurring Basis

The following table presents QSAC's assets that are measured at fair value on a recurring basis at June 30, 2018:

	Total	Level 1	Level 2	Level 3
Mutual Funds:				
Equities	$ 2,586,096	$ 2,586,096	$ -	-
Fixed income securities	970,643	970,643	-	-
Alternative investments	51,932	51,932	-	-
Total assets measured at fair value	$ 3,608,671	$ 3,608,671	$ -	$ -

These amounts are included in prepaid expenses and other assets and relate to the 403(b)/457(b)/457(f) Plans, further detailed in Note 12.

Note 5 - Debt Service Reserve Funds

QSAC has debt service reserve funds in connection with the New York City Industrial Development Agency ("NYCIDA") and with Nassau County Industrial Development Agency ("NCIDA") bond issuances (see Note 9). These balances are limited to use under terms of debt indentures. Interest earned on these reserve funds will be used to reduce QSAC's payment obligation under the mortgages. The balance at June 30, 2018 is $161,850.

Note 6 - Property and Equipment

Property and equipment, net, at cost, consists of the following at June 30, 2018:

Land	$ 1,264,516
Buildings	8,999,383
Leasehold improvements	2,850,362
Building improvements	5,163,864
Furniture and equipment	1,838,703
Vehicles	1,191,298
	21,308,126
Less: Accumulated depreciation and amortization	8,812,205
	$ 12,495,921

Depreciation and amortization expense relating to property and equipment amounted to $751,091 for the year ended June 30, 2018.

Note 7 - Lines of Credit

QSAC has executed a line of credit for $5,500,000 from a financial institution during the year ended June 30, 2018. The line of credit expires December 31, 2018 and is subject to annual renewal and review. The agreement requires interest to be charged at a rate equal to the prime rate plus 0.25%, which totaled 5.25% at June 30, 2018. This debt is collateralized with a general lien on QSAC's assets. No amount was outstanding at June 30, 2018.

QSAC has executed a line of credit for $2,500,000 from a financial institution during the year ended June 30, 2018 related to acquisition and renovation of property. The line of credit expires December 31, 2018 and is subject to annual renewal and review. The agreement requires interest to be charged at a rate equal to the prime rate plus 0.5%, which totaled 5.50% at June 30, 2018. This debt is collateralized by the related property. The amount outstanding at June 30, 2018 was $1,394,716.

Note 8 - Loans Payable

Loans payable consist of the following at June 30, 2018:

Vehicle loans payable to a financing agency, maturing through February 2020, payable in monthly installments ranging from $509 to $879 including interest at rates ranging from 3.75% to 6.89% per annum. The loans are secured by the related vehicles with a net book value of approximately $31,000.	$	59,205
Mortgage loans payable to a financial institution, maturing from June 1, 2019 through January 3, 2029, payable in monthly installments ranging from $1,500 to $21,498, including interest at rates ranging from 2.65% to 4.43% per annum. Two of these loans, having a maturity date of August 2, 2024, include balloon payments at the end of the loan terms of $492,651 and $488,463, respectively. In addition, there is a third loan having a maturity date of March 31, 2026, with a balloon payment of $970,880. The loans are secured by mortgage and security agreements on the related premises with a net book value of approximately $6,404,000.		6,108,494
		6,167,699
Less: Unamortized debt issuance costs		145,190
Total Loans Payable	$	6,022,509

The aggregate amounts of principal payments on the loans payable during each of the five years following June 30, 2018 and thereafter are as follows:

Years Ending June 30:		
2019	$	578,629
2020		521,330
2021		519,658
2022		535,361
2023		549,811
Thereafter		3,462,910
	$	6,167,699

QSAC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9 - Capital Lease Obligations

Capital lease obligations consist of the following at June 30, 2018:

Capital lease obligations to New York City Industrial Development Agency, maturing on July 1, 2019, payable in monthly installments of principal ranging from $2,667 to $5,833, plus interest at a rate ranging from 5.25% to 6.80% per annum. The obligation is secured by the related property and equipment.	$	66,281
Capital lease obligations to Nassau County Industrial Development Agency, maturing on July 1, 2020, payable in monthly installments of principal ranging from $3,750 to $5,000, plus interest at a rate ranging from 4.40% to 4.90% per annum. The obligation is secured by the related property and equipment.		210,000
Capital lease obligations to Nassau County Industrial Development Agency, maturing on July 1, 2029, payable in monthly installments of principal ranging from $3,333 to $6,667, plus interest at a rate ranging from 1.14% to 6.84% per annum. The obligation is secured by the related property and equipment.		783,620
		1,059,901
Less: Unamortized debt issuance costs		54,456
Total Bonds Outstanding	$	1,005,445

These capital leases are secured by the related property and equipment with a gross amount of approximately $1,996,000 and net book value of approximately $1,563,000. Amortization of assets held under capital leases is included in depreciation and amortization expense.

The aggregate amounts of principal payments on the bonds payable during each of the five years following June 30, 2018 and thereafter are as follows:

Years Ending June 30:		
2019	$	231,670
2020		240,445
2021		81,300
2022		78,900
2023		81,500
Thereafter		567,817
		1,281,632
Less: Amount representing interest		221,731
Present value of net minimum payments	$	1,059,901

Note 9 - Capital Lease Obligations (cont'd.)

Pursuant to the various bond indentures noted above, QSAC has money on deposit in a debt service reserve fund held by a trustee. Deposits in the debt service fund are to be used to pay any deficiency with respect to principal and interest payments pertaining to the related bonds payable if, and to the extent, QSAC defaults on such payments at the time such payments are due and payable. Assuming QSAC fully complies with all requirements of the bond indenture, the debt service reserve fund will either be returned to QSAC or credited by the trustee against the final payments due. At June 30, 2018, the balance of the debt service reserve fund was $161,850.

Note 10 - Endowment

General

During 2018, QSAC's board of directors established The Edna Kleiman Endowment for Autism Services Fund (the "Fund"). The Fund was established as an unrestricted board designated fund to support QSAC's long-term sustainability, future needs and to fully discharge its mission. The Fund consists of money market funds. As required by U.S. GAAP, net assets associated with an endowment fund, including funds designated by the Board of Directors that function as endowments, are classified and reported based on the existence or absence of the designated restrictions.

Endowment Investment and Spending Policies

The Fund will be accounted for in a separate, segregated fund which will be invested and managed by a financial institution in accordance with the policies for administration and investment management established by QSAC.

QSAC's investment and spending policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term.

Note 10 - Endowment (cont'd.)

Interpretation of Relevant Law

QSAC has established procedures to comply with the provisions of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), a modified version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

QSAC has considered the following factors in making a determination to appropriate or calculate board-designated endowment funds:

1. Duration of the fund
2. General purposes of the organization and the board-designated endowment funds
3. General economic conditions
4. Possible effect of inflation or deflation
5. Expected total return from income and appreciation of investments
6. Other resources of the organization
7. Investment policy of the organization

Endowment net asset composition by type of fund at June 30, 2018 is as follows:

	Unrestricted Board-Designated
Net assets, beginning of year	$ -
Contributions	123,794
Unrealized loss on investment	(2,285)
Investment expenses	(158)
Appropriation of endowment assets for expenditure	-
Net assets, end of year	$ 121,351

Note 11 - Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2018:

Scholarships	$ 1,375
Educational/residential and other programs	317,069
	$ 318,444

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows at June 30, 2018:

Educational/residential and other programs	$ 812,848

Note 12 - 403(b)/457(b)/457(f) Plans

QSAC had a federally qualified defined contribution plan covering substantially all employees who meet certain eligibility requirements. The amount contributed to the plan is a fixed percentage of participants' compensation. The plan expense amounted to $721,652 for the year ended June 30, 2018. On July 1, 2006, QSAC established an Internal Revenue Code ("IRC") Section 457(f) plan. The plan provides deferred compensation benefits for management and directors, in excess of other QSAC plans and has no contribution limits. The expense for this plan amounted to $792,099 for the year ended June 30, 2018. At June 30, 2018, QSAC has set aside $3,100,765 of cash and cash equivalents and investments for this plan. A liability of the same amount is recorded in accrued salaries and related benefits. In 2007, QSAC established an IRS Section 457(b) plan. The plan provides deferred compensation benefits for management. The maximum level of the deferrals and employer contributions which may be credited on behalf of any participant in any taxable year under the plan shall not exceed the lesser of 100% of the participant's includible compensation for the taxable year or the IRC limit of $18,000 for the taxable year 2018. There was no expense incurred for this plan for the year ended June 30, 2018. At June 30, 2018, QSAC has set aside $531,972 of cash and cash equivalents and investments for this plan. A liability of the same amount is recorded in accrued salaries and related benefits.

Note 13 - Donated Services, Facilities and Materials

QSAC received donated transportation services for consumers in its programs, with an estimated fair market value of $610,335 for the year ended June 30, 2018 from the New York City Department of Education. In addition, QSAC received various donated services and materials from other sources with an estimated fair market value of $164,237 for the year ended June 30, 2018. Donated services, facilities and materials have been recognized as revenue and expense in the statement of activities. As indicated in the statement of functional expenses, the related expenses have been allocated in accordance with the function benefited.

QSAC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 14 - Commitments and Contingencies

QSAC has leased twenty-three properties for program and administrative space under various noncancellable operating agreements expiring at various dates through 2039, and requiring various minimum annual rental payments. Future minimum lease payments for the five years following June 30, 2018 and thereafter are as follows:

Years Ending June 30:	
2019	$ 4,873,457
2020	4,615,377
2021	4,406,711
2022	4,282,859
2023	4,002,909
Thereafter	27,339,107
	$ 49,520,420

Rent expense was $5,957,824 for the year ended June 30, 2018. During the year ended June 30, 2018, funds expended to rent totaled $5,571,855.

QSAC's program costs are subject to audit by various government agencies. In the opinion of QSAC management, any liabilities that might be incurred would not have a material effect on QSAC's financial position or results of operations.

As of June 30, 2018, QSAC is party to various litigations which, in the opinion of management and legal counsel, will not have a material adverse impact on the financial position of QSAC.

Note 15 - Related Party Transactions

One member of QSAC's board of directors is a board member and partial owner of a financial institution where QSAC maintains a money market account of approximately $1,354,000 at June 30, 2018. QSAC earned $13,474 of investment income relating to this account.

Note 16 - Subsequent Events

QSAC has evaluated all events or transactions that occurred after June 30, 2018 through November 30, 2018, which is the date that these financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.

APPENDIX B-VII

YOUNG ADULT INSTITUTE, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2020, JUNE 30, 2019 AND JUNE 30, 2018)

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YAI AND AFFILIATES

Seeing beyond disability.

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)

YEAR ENDED JUNE 30, 2020

MARKS PANETH
ACCOUNTANTS & ADVISORS

YAI AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)

YEAR ENDED JUNE 30, 2020

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Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
YAI and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. d/b/a YAI ("YAI") and its Affiliates: The Manhattan Star Academy ("MSA"), The International Academy of Hope ("IHOPE"), Premier HealthCare, Inc. ("PHC") and the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR") (YAI and its Affiliates are collectively referred to as the "Agency"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Morison KSi
Independent member

Other Matter - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (shown on pages 16-17) are presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual affiliates, 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.

Marks Paneth LLP

New York, NY
February 1, 2021

MARKS PANETH
ACCOUNTANTS & ADVISORS

YAI AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020

ASSETS	
Cash and cash equivalents (Notes 2D and 10)	$ 7,372,223
Short-term investments (Notes 2E and 5)	15,665,753
Government receivables, net (Notes 2F and 4)	37,500,999
Tuition receivables, net (Note 2F)	21,280,596
Other receivables, net (Notes 2F and 2I)	9,489,853
Prepaid expenses and other assets	10,140,358
Property and equipment, net (Notes 2H, 6, 7 and 8A)	51,930,803
Debt service reserve (Note 2N)	2,870,580
TOTAL ASSETS	$ 156,251,165
LIABILITIES	
Accounts payable and accrued expenses	$ 16,077,065
Accrued salary	9,249,630
Accrued vacation	5,105,927
Accrued pension (Note 11)	1,455,789
Other liabilities (Note 8F)	10,157,044
Due to funding sources (Note 8D)	4,791,826
Notes and mortgages payable (Notes 2N and 7)	64,115,662
Capital lease obligations (Note 8B)	2,856,134
Deferred rent (Note 2L)	3,146,427
TOTAL LIABILITIES	116,955,504
COMMITMENTS AND CONTINGENCIES (Note 8)	
NET ASSETS (Note 2C)	
Net assets without donor restrictions	
Net invested in property and equipment	13,218,664
Available for operations	24,582,656
Total without donor restrictions	37,801,320
Net assets with donor restrictions (Note 9)	1,494,341
TOTAL NET ASSETS	39,295,661
TOTAL LIABILITIES AND NET ASSETS	$ 156,251,165

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

YAI AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Medicaid (Notes 2G, 2K and 12)	$ 170,512,211	$ -	$ 170,512,211
Government grants (Note 2G)	21,728,121	-	21,728,121
Medicare and client fees (Notes 2G and 12)	13,076,964	-	13,076,964
Tuition (Notes 2G and 12)	26,858,428	-	26,858,428
Other revenues	4,782,482	-	4,782,482
Contributions (Note 2I)	1,610,785	1,014,017	2,624,802
Special events (net of direct costs of $257,835)	150,123	81,780	231,903
Investment activity (Note 5)	862,870	-	862,870
Net assets released from restrictions (Note 2C)	336,276	(336,276)	-
Total Operating Revenue and Support	239,918,260	759,521	240,677,781
Operating Expenses:			
Program Services:			
Residential services	108,507,732	-	108,507,732
Day and community services	58,576,796	-	58,576,796
Clinical services	21,292,372	-	21,292,372
Educational services	20,111,113	-	20,111,113
Employment services	2,504,264	-	2,504,264
Total Program Services	210,992,277	-	210,992,277
Supporting Services:			
Management and general (Note 2J)	27,958,149	-	27,958,149
Fundraising	481,457	-	481,457
Total Supporting Services	28,439,606	-	28,439,606
Total Operating Expenses	239,431,883	-	239,431,883
Change In Net Assets From Operations	486,377	759,521	1,245,898
Non-Operating Activities			
Benefit obligation in excess of plan assets (Note 8F)	(392,418)	-	(392,418)
Total Non-Operating Activities	(392,418)	-	(392,418)
CHANGE IN NET ASSETS	93,959	759,521	853,480
Net Assets - Beginning of Year	33,020,687	702,209	33,722,896
Change in reporting entity (Note 13)	4,686,674	32,611	4,719,285
NET ASSETS - END OF YEAR	$ 37,801,320	$ 1,494,341	$ 39,295,661

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

YAI AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services						Supporting Services			
	Residential Services	Day and Community Services	Clinical Services	Educational Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2020
Salaries	$ 66,961,208	$ 28,791,866	$ 11,164,071	$ 11,354,134	$ 1,739,105	$ 120,010,384	$ 12,657,491	$ 344,824	$ 13,002,315	$ 133,012,699
Payroll taxes and benefits (Note 11)	17,242,023	7,529,188	2,128,696	3,463,955	441,942	30,805,804	3,476,626	97,406	3,574,032	34,379,836
Total Personnel Costs	84,203,231	36,321,054	13,292,767	14,818,089	2,181,047	150,816,188	16,134,117	442,230	16,576,347	167,392,535
Contracted services	2,024,498	516,734	2,107,399	377,766	4,277	5,030,674	1,556,233	-	1,556,233	6,586,907
Professional fees	166,116	160,664	19,907	407,808	3,577	758,072	1,429,676	6,347	1,436,023	2,194,095
Program supplies	3,327,012	1,731,718	461,040	202,658	34,884	5,757,312	91,037	3,820	94,857	5,852,169
Food	2,871,255	163,592	2,958	1,468	109	3,039,382	265	-	265	3,039,647
Transportation	1,749,008	10,088,111	144,991	2,488	16,333	12,000,931	118,831	820	119,651	12,120,582
Office and equipment expense	817,990	291,601	272,578	153,990	14,354	1,550,513	1,264,795	14,484	1,279,279	2,829,792
Staff development and expenses	228,214	181,481	77,628	60,059	3,401	550,783	471,295	2,333	473,628	1,024,411
Occupancy (Note 8)	2,593,715	5,619,178	2,337,349	2,885,883	142,452	13,578,577	1,616,383	-	1,616,383	15,194,960
Repairs and maintenance	1,982,327	958,262	343,241	241,651	10,093	3,535,574	141,177	-	141,177	3,676,751
Insurance	1,874,788	646,751	186,273	18,399	35,028	2,761,239	320,633	-	320,633	3,081,872
Utilities	1,427,583	516,500	101,518	224,285	8,798	2,278,684	158,377	-	158,377	2,437,061
Telephone	650,288	332,250	119,244	17,393	25,290	1,144,465	324,749	1,125	325,874	1,470,339
Information technology	538,224	373,356	905,956	74,413	23,193	1,915,142	2,414,579	5,512	2,420,091	4,335,233
Depreciation and amortization (Notes 2H and 6)	2,805,343	551,084	728,182	303,806	1,381	4,389,796	478,523	-	478,523	4,868,319
Interest	1,246,109	121,565	7,321	6,958	41	1,381,994	1,167,694	-	1,167,694	2,549,688
Bad debt	1,346	147	183,260	300,000	-	484,753	-	-	-	484,753
Miscellaneous	685	2,748	760	13,999	6	18,198	269,785	4,786	274,571	292,769
TOTAL EXPENSES	$ 108,507,732	$ 58,576,796	$ 21,292,372	$ 20,111,113	$ 2,504,264	$ 210,992,277	$ 27,958,149	$ 481,457	$ 28,439,606	$ 239,431,883

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

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YAI AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 853,480
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	4,868,319
Non-cash interest expense	233,231
Unrealized gain on short-term investments	(363,994)
Realized gain on short-term investments	(102,981)
Bad debt	484,753
Subtotal	5,972,808
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Government receivables	(7,153,318)
Tuition receivables	(11,793,051)
Prepaid expenses and other assets	(2,482,463)
Other receivables	(35,013)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	3,965,147
Accrued salary	243,389
Accrued vacation	799,843
Accrued pension	(733,471)
Due to funding sources	(1,994,958)
Deferred rent	1,196,922
Other liabilities	(1,454,833)
Net Cash Used in Operating Activities	(13,468,998)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(10,729,412)
Purchases of short-term investments	(4,810,352)
Proceeds from sale of short-term investments	2,875,390
Decrease in debt service reserve	(237,618)
Net Cash Used in Investing Activities	(12,901,992)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from notes and mortgages	25,471,600
Principal repayments of notes and mortgages	(3,669,805)
Bond issuance cost	(588,975)
Principal capital lease obligations	2,248,730
Principal repayments of capital lease obligations	(351,048)
Net Cash Provided by Financing Activities	23,110,502
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,260,488)
Cash and Cash Equivalents - Beginning of Year	10,632,711
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,372,223
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	$ 2,316,457

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

YAI AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. d/b/a YAI ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1964. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local levels.

YAI serves people of all ages with developmental and learning disabilities in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI has over 300 programs and direct services that benefit over 21,000 individuals and their families daily throughout the New York metropolitan area and California.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey and California. YAI is the sole corporate member of these agencies which have been included in the consolidated financial statements (collectively, the "Agency"). Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. ("PHC"). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local levels. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, audiology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC's primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.
- Effective July 1, 2019, YAI became the sole corporate member of The Manhattan Star Academy ("MSA"). MSA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. MSA offers a continuum of care for school-age children with a diverse range of diagnoses, including developmental delays, autism spectrum disorders and speech language disorders.
- Effective July 1, 2019, YAI became the sole corporate member of The International Academy of Hope ("IHOPE"). IHOPE is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. IHOPE provides educational and related services to children, adolescents, and young adults from ages 5 years to 21 years old, who have sustained acquired brain injuries or other brain-based disorders who cannot be served in their local school systems.
- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR"), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local levels. IIPD-PR's mission is to create employment opportunities for people with disabilities. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrated a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR had no programmatic operations during the fiscal year ended June 30, 2020.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** The Agency's consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. ***Basis of Consolidation -*** The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; MSA; IHOPE; and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.

C. ***Basis of Net Asset Presentation -*** The Agency maintains its net assets under the following two classes:

Without donor restrictions – represents resources available for support of the Agency's operations over which the Board of Trustees has discretionary control as well as investment in property, plant and equipment.

With donor restrictions – represents assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

D. ***Cash and Cash Equivalents -*** The Agency classifies cash equivalents as highly liquid financial instruments with maturities of three months or less when acquired, except for those short-term investments managed by investment managers as part of the Agency's investment strategies and the debt service reserve. Program participant funds included in cash and cash equivalents amounted to approximately $137,000 for the year ended June 30, 2020. Such amounts are also included as a liability in the accompanying consolidated financial statements.

E. ***Short-term Investments and Fair Value Measurements -*** Short-term investments are carried at fair value. Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

F. ***Allowance for Uncollectible Receivables -*** The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2020, the Agency determined an allowance of approximately $2.5 million for government receivables and approximately $1.9 million for tuition receivables was necessary. In addition, the Agency has established an allowance for doubtful accounts for other receivables of approximately $1.2 million as of June 30, 2020.

G. ***Revenue Recognition -*** The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. Tuition is derived from contracts with customers and recognized during the school year upon exchange of contracted services. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue includes management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement. Medicaid and tuition is accounted for under Accounting Standards Codification ("ASU") Topic 606. Government grants are accounted for under ASU 2018-08 and amounted to $21,728,121 for the year ended June 30, 2020. For the year ended June 30, 2020, the Agency received conditional grants and contract from government agencies in the aggregate amount of $11 million. Such grants have not been recognized in the accompanying consolidated financial statements as they are for further periods and will be recognized when contract barriers are overcome.

H. ***Property and Equipment -*** Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by the Agency provided its cost is $5,000 or more and its useful life is greater than one year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. ***Contributions -*** Unconditional contributions, including promises to give cash and other assets, are reported at their fair value on the date the contribution is received. The Agency reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions are accounted for under ASU 2018-08. Conditional contributions pertaining to future years is disclosed when material.

J. ***Functional Expenses -*** The costs of providing program and supporting services of the Agency have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, expenses that are not directly charged to programs and supporting services are allocated among programs and supporting services. The expenses that are allocated include occupancy and maintenance, which is allocated on a square footage basis, as well as payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

K. ***Prior Period Revenue -*** There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the year ended June 30, 2020 is a decrease of approximately $144,000 of prior year revenues relating to such adjustments.

L. ***Deferred Rent -*** The Agency leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, the Agency records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statement of financial position.

M. ***Bond Issuance Costs -*** Bond issuance costs consist of financing costs which are amortized over the life of the bond. The amortization is on the straight-line method which does not differ materially from the effective interest rate method.

N. ***Debt Service Reserve -*** Under the terms of the Dormitory Authority of the State of New York ("DASNY"), the Agency is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at market value in the accompanying consolidated statement of financial position.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement financial position date, include the following as of June 30:

	2020
Cash and cash equivalents	$ 7,372,223
Short-term investments	15,665,753
Government receivables, net	37,500,999
Tuition receivables, net	21,280,596
Other receivables, net	9,489,853
Total Financial Assets	91,309,424
Less: Other receivables due in more than one year	(2,100,000)
Less: Program participant funds	(137,102)
Less: Net assets with donor restrictions	(1,494,341)
	$ 87,577,981

NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)

The Agency strives to maintain liquid financial assets sufficient to cover expenditures. Revenue from funders are expected to cover most expenses. Financial assets are available to fund any programs or supporting services with unanticipated shortfalls. In addition, as noted in Note 7, the Agency has multiple lines of credit totaling a maximum drawdown of $42 million.

NOTE 4 – GOVERNMENT RECEIVABLES

Government receivables consists of the following as of June 30:

	2020
Due from Medicaid	$ 25,760,344
Due from the State of New York	10,328,627
Due from the City of New York	1,061,311
Due from other sources	2,800,793
	39,951,075
Less: allowance for doubtful accounts	(2,450,076)
	$ 37,500,999

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30:

	2020
Money market funds	$ 3,822,298
Mutual funds	2,841,390
Corporate bonds	3,052,408
Government bonds	5,445,764
Multi-strategy investments	503,893
	$ 15,665,753

Investment activity consists of the following for the year ended June 30:

	2020
Interest	$ 395,895
Realized gain	102,981
Unrealized gain	363,994
	$ 862,870

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

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

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. The Agency has no Level 3 investments.

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets and U.S. Treasury bills are valued using market prices in active markets (Level 1). Fair value of these investments is determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds, U.S. Government bonds and multi-strategy investments are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

Financial assets carried at fair value as of June 30, 2020 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term investments:			
Money market funds	$ 3,822,298	$ -	$ 3,822,298
Mutual funds	2,841,390	-	2,841,390
Corporate bonds	-	3,052,408	3,052,408
Government bonds	-	5,445,764	5,445,764
Multi-strategy investments	-	503,893	503,893
Total Short-term investments	6,663,688	9,002,065	15,665,753
Debt Service Reserve Fund:			
U.S. Treasury bills	2,870,580	-	2,870,580
	$ 9,534,268	$ 9,002,065	$ 18,536,333

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2020	Estimated Useful Lives
Land	$ 11,772,584	
Buildings and building improvements	68,846,929	15-25 years
Leasehold improvements	28,027,033	5-25 years
Furniture and equipment	20,486,423	3-10 years
Construction in progress	9,518,626	
	138,651,595	
Less: accumulated depreciation	(86,720,792)	
	$ 51,930,803	

Depreciation and amortization expenses amounted to $4,868,319 for the year ended June 30, 2020. Construction in progress consists of construction at new locations and various renovations with a combined additional estimated cost to complete of approximately $12 million and estimated completion dates in fiscal year 2021.

NOTE 7 – NOTES AND MORTGAGES PAYABLE

	2020
A. YAI has entered into various loan agreements with the Dormitory Authority of the State of New York. The loans carry interest rates ranging from 1.57% to 4.52% per annum, payable in semi-annual installments and have maturity dates ranging from August 2018 through June 2045. The loans are collateralized by YAI's underlying real property.	$ 30,582,008

NOTE 7 – NOTES AND MORTGAGES PAYABLE (Continued)

	2020
B. YAI has available a $14 million line of credit with a bank for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on this line of credit are subsequently converted into notes. As of June 30, 2020, there were seven notes executed. The notes bear an interest rate of prime resulting in a rate of 3.25% as of June 30, 2020. The notes are collateralized by related property and mature in April 2022. The outstanding balance as of February 1, 2021 amounted to $7,467,955.	$ 9,546,359
C. The Agency has available a $28 million working capital line of credit with a bank carrying an interest rate of prime which as of June 30, 2020 was 3.25%. The loan is collateralized by YAI's accounts receivable and matures in April 2022. The outstanding balance as of February 1, 2021 amounted to $24,270,133.	25,389,077
D. MSA has a construction loan payable to a bank which bears interest at a fixed rate of 3.05% per annum and expires on October 1, 2021. The loan is collateralized by funds deposited and guaranteed by YAI.	498,037
	66,015,481
Less: unamortized debt issuance costs	(1,899,819)
Notes and mortgages payable, net	$ 64,115,662

Most of the loans have provisions for loan covenants. The Agency was in compliance with these covenants as of and during the year ended June 30, 2020. The unamortized debt issuance costs increased due to an addition of closing costs of $588,975 for new loans less non-cash interest expense of $233,231.

Required future annual principal payments are payable as follows for the years ending June 30:

2021	$ 2,291,052
2022	36,983,882
2023	2,519,634
2024	1,716,635
2025	2,079,088
Thereafter	18,525,371
	$ 64,115,662

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Agency has operating lease agreements, and annual future minimum rentals payable for real and personal property principally under long-term operating leases expiring at varying dates through 2061 as follows:

	Real Property	Vehicles and Equipment	Total
2021	$ 11,534,483	$ 1,785,916	$ 13,320,399
2022	10,940,388	1,333,592	12,273,980
2023	10,173,243	870,202	11,043,445
2024	9,752,332	203,402	9,955,734
2025	9,018,169	49,087	9,067,256
Thereafter	148,797,443	-	148,797,443
	$200,216,058	$ 4,242,199	$ 204,458,257

Included in real property above is an operating agreement for a condominium for the Agency's central office. The annual future minimum payments are calculated as the condominium's purchase price of approximately $26 million multiplied by an interest rate of 8% per annum and payable in monthly installments.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Rent expense amounted to the following for the year ended June 30:

	2020
Real property	$ 13,556,532
Vehicles and equipment	2,150,113

B. YAI has capital leases for computer and electronic equipment with maturities in 2025, and with the following annual payments:

2021	$ 675,436
2022	713,327
2023	753,569
2024	602,452
2025	111,350
	$ 2,856,134

C. The Agency believes it has no uncertain tax positions as of June 30, 2020 and 2019 in accordance with ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

D. The Agency receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. The Agency, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates. As of June 30, 2020, due to funding source represents overpayments from the 2012-2020 fiscal years for the Agency's programs. Such amounts are expected to be recouped by the funding sources.

E. The Agency is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of the Agency.

F. During the year ended June 30, 2020, YAI recorded the benefit obligation for a Supplemental Pension Plan and Trust and Life Insurance Plan and Trust in excess of the assets of the plan for certain previous employees. The liability amounted to approximately $6.4 million, and is included in other liabilities in the consolidated statement of financial position. The liability represents the present value of the future obligation calculated with a discount rate of 5.5% and social security life expectancy table.

G. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. COVID-19 disrupted operations of the Agency during the year ended June 30, 2020. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Agency's mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, the Agency cannot predict the extent to which its financial condition and results of operations will be affected. The Agency continues to monitor evolving economic and business conditions and the actual and potential impacts of COVID-19 on operations.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

The Agency's net assets with donor restrictions subject to expenditure for the specified purpose of the passage of time consist of the following as of June 30:

	2020
Grants and restricted funds	$ 1,484,341
Fund held in perpetuity	10,000
	$ 1,494,341

During the year ended June 30, 2020, the Agency released net assets with donor restriction of $336,276 by satisfying donor-imposed purpose, passage of time restrictions and appropriation of endowment earnings by the Board of Trustees.

NOTE 10 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to $250,000 per depositor. As of June 30, 2020, there was approximately $7.5 million of cash and cash equivalents held by one bank that exceeded FDIC limits.

NOTE 11 – RETIREMENT PLAN

On January 1, 2019, the Agency adopted the YAI Network Affiliates 403(b) Plan. All common law employees are eligible to make salary reduction contributions into the plan. Employees who complete 1,000 hours of service during the plan year and are employed on the last day of the plan year are eligible for employer matching contributions. The employer matching contribution will be equal to 50% of the first 6% of employee compensation deferral made to the plan for periods on or after July 1, 2019. For the year ended June 30, 2020 the employer matching contribution was $1,455,789.

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Service Contracts - The Agency receives Medicaid revenue from contracts with the New York State Office for People with Developmental Disabilities (OPWDD) to provide support and services to individuals with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. Revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing the contracted services. These amounts are due from OPWDD, third-party payors (Medicare), individuals (Client Fees) and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Service revenue is derived from contracts with customers.

Tuition revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing the contracted services. Service revenue from tuition is recognized after the services are performed or after the Agency has completed its portion of the contract. Tuition is recorded as revenue in the period in which the tuition and fees relate to the school year. Deferred tuition is tuition payments committed prior to June 30, but which are applicable to the following academic year. These amounts are deferred and recognized as revenue in the fiscal year that educational services are provided. As of June 30, 2020, approximately $430,000 of deferred tuition is included in other liabilities in the consolidated statement of financial position.

Generally, the Agency bills OPWDD, third-party payors, tuition and individuals after the services are performed or has completed their portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Performance Obligations - Performance obligations are determined based on the nature of the services provided by the Agency in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Agency measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the OPWDD stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2020. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. The Agency determines the transaction price based on established rates and contracts for services provided.

For the year ended June 30, 2020, program service fees consist of revenues for the following programs:

	Medicaid	Medicare and Client Fees	Tuition	Total
Residential services	$ 96,733,949	$ 8,446,510	$ -	$ 105,180,459
Day and community services	53,773,814	1,722,738	-	55,496,552
Clinical services	18,930,047	2,907,716	-	21,837,763
Educational services	-	-	26,858,428	26,858,428
Employment services	1,074,401	-	-	1,074,401
	$ 170,512,211	$ 13,076,964	$ 26, 858,428	$ 210,447,603

NOTE 13 – CHANGE IN REPORTING ENTITY

Effective July 1, 2019, YAI became the sole corporate member of MSA and IHOPE, which resulted in a net increase in net assets as of July 1, 2019. Such increase is included in change in reporting entity of $4,719,285 in the consolidated statement of activities for the year ended June 30, 2020.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through February 1, 2021, the date the consolidated financial statements were available to be issued.

YAI AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2020

	YAI	MSA	IHOPE	PHC	IIPD-PR	Consolidating Eliminations	Total 2020
ASSETS							
Cash and cash equivalents	$ 5,705,678	$ 657,279	$ 760,092	$ 249,174	$ -	$ -	$ 7,372,223
Short-term investments	15,665,753	-	-	-	-	-	15,665,753
Government receivable, net	34,942,038	-	-	2,558,961	-	-	37,500,999
Tuition receivables, net	-	6,161,135	15,119,461	-	-	-	21,280,596
Due from Network Agencies	7,708,889	519,887	-	-	-	(8,228,776)	-
Other receivables, net	9,415,052	-	38,686	36,115	-	-	9,489,853
Prepaid expenses and other assets	8,805,106	229,011	469,643	636,598	-	-	10,140,358
Property and equipment, net	49,246,310	1,473,710	217,230	993,553	-	-	51,930,803
Debt service reserve	2,870,580	-	-	-	-	-	2,870,580
TOTAL ASSETS	$ 134,359,406	$ 9,041,022	$ 16,605,112	$ 4,474,401	$ -	$ (8,228,776)	$ 156,251,165
LIABILITIES							
Accounts payable and accrued expenses	$ 14,796,048	$ 390,271	$ 248,612	$ 642,134	$ -	$ -	$ 16,077,065
Accrued salary	8,223,525	273,561	316,425	436,119	-	-	9,249,630
Accrued vacation	4,680,612	-	98,719	326,596	-	-	5,105,927
Accrued pension	1,222,329	65,667	89,102	78,691	-	-	1,455,789
Other liabilities	8,811,280	1,277,279	68,485	-	-	-	10,157,044
Due to funding sources	4,026,113	-	-	765,713	-	-	4,791,826
Notes and mortgages payable	54,074,087	3,489,340	4,000,000	2,552,235	-	-	64,115,662
Capital lease obligations	2,661,906	-	-	194,228	-	-	2,856,134
Due to related party	-	34,190	5,789,071	8,245,579	603,524	(14,672,364)	-
Deferred rent	1,265,750	1,338,594	71,281	470,802	-	-	3,146,427
TOTAL LIABILITIES	99,761,650	6,868,902	10,681,695	13,712,097	603,524	(14,672,364)	116,955,504
COMMITMENTS AND CONTINGENCIES							
NET ASSETS							
Net assets without donor restrictions							
Net invested in property and equipment	11,217,739	984,370	217,230	799,325	-	-	13,218,664
Available for operations	21,924,936	1,180,729	5,673,948	(10,037,021)	(603,524)	6,443,588	24,582,656
Total net assets without donor restrictions	33,142,675	2,165,099	5,891,178	(9,237,696)	(603,524)	6,443,588	37,801,320
Net assets with donor restrictions	1,455,081	7,021	32,239	-	-	-	1,494,341
TOTAL NET ASSETS	34,597,756	2,172,120	5,923,417	(9,237,696)	(603,524)	6,443,588	39,295,661
TOTAL LIABILITIES AND NET ASSETS	$ 134,359,406	$ 9,041,022	$ 16,605,112	$ 4,474,401	$ -	$ (8,228,776)	$ 156,251,165

See independent auditors' report.

YAI AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	YAI			Manhattan Star Academy			International Academy of Hope		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support									
Medicaid	$ 158,655,531	$ -	$ 158,655,531	$ -	$ -	$ -	$ -	$ -	$ -
Government grants	21,166,706	-	21,166,706	-	-	-	-	-	-
Medicare and client fees	10,950,071	-	10,950,071	-	-	-	-	-	-
Tuition	-	-	-	11,087,477	-	11,087,477	15,770,951	-	15,770,951
Other revenues	7,957,347	-	7,957,347	12,855	-	12,855	5,168	-	5,168
Contributions	1,566,130	1,006,636	2,572,766	10,645	7,381	18,026	32,582	-	32,582
Special events (net of direct costs of $257,835)	150,123	81,780	231,903	-	-	-	-	-	-
Investment activity	862,870	-	862,870	-	-	-	-	-	-
Net assets released from restrictions	335,544	(335,544)	-	360	(360)	-	372	(372)	-
Total Operating Revenue and Support	201,644,322	752,872	202,397,194	11,111,337	7,021	11,118,358	15,809,073	(372)	15,808,701
Operating Expenses:									
Program Services:									
Residential services	108,507,732	-	108,507,732	-	-	-	-	-	-
Day and community services	58,576,796	-	58,576,796	-	-	-	-	-	-
Clinical services	7,810,110	-	7,810,110	-	-	-	-	-	-
Educational services	-	-	-	8,863,364	-	8,863,364	11,247,749	-	11,247,749
Employment services	2,504,264	-	2,504,264	-	-	-	-	-	-
Total Program Services	177,398,902	-	177,398,902	8,863,364	-	8,863,364	11,247,749	-	11,247,749
Supporting Services:									
Management and general	25,019,849	-	25,019,849	1,599,360	-	1,599,360	1,835,708	-	1,835,708
Fundraising	476,831	-	476,831	-	-	-	4,626	-	4,626
Total Supporting Services	25,496,680	-	25,496,680	1,599,360	-	1,599,360	1,840,334	-	1,840,334
Total Operating Expenses	202,895,582	-	202,895,582	10,462,724	-	10,462,724	13,088,083	-	13,088,083
Change In Net Assets From Operations	(1,251,260)	752,872	(498,388)	648,613	7,021	655,634	2,720,990	(372)	2,720,618
Non-Operating:									
Contribution from acquisition	953,444	10,000	963,444	-	-	-	-	-	-
Benefit obligation in excess of plan assets	(392,418)	-	(392,418)	-	-	-	-	-	-
Total Non-Operating Activities	561,026	10,000	571,026	-	-	-	-	-	-
CHANGE IN NET ASSETS	(690,234)	762,872	72,638	648,613	7,021	655,634	2,720,990	(372)	2,720,618
Net Assets - beginning of year	33,832,909	692,209	34,525,118	-	-	-	-	-	-
Change in reporting entity	-	-	-	1,516,486	-	1,516,486	3,170,188	32,611	3,202,799
NET ASSETS - END OF YEAR	$ 33,142,675	$ 1,455,081	$ 34,597,756	$ 2,165,099	$ 7,021	$ 2,172,120	$ 5,891,178	$ 32,239	$ 5,923,417

	Premier Healthcare, Inc.		YAI/Rockland County Association for People with Disabilities			International Institute for People with Disabilities of Puerto Rico, Inc.			Consolidated Total		
	Without Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total	Consolidating Eliminations	Without Donor Restrictions	With Donor Restrictions	Total 2020
Operating Revenue and Support											
Medicaid	$ 11,856,680	$ 11,856,680	$ -	$ -	$ -	$ -	$ -	$ -	$ 170,512,211	$ -	$ 170,512,211
Government grants	561,415	561,415	-	-	-	-	-	-	21,728,121	-	21,728,121
Medicare and client fees	2,126,893	2,126,893	-	-	-	-	-	-	13,076,964	-	13,076,964
Tuition	-	-	-	-	-	-	-	-	26,858,428	-	26,858,428
Other revenues	-	-	-	-	-	-	-	(3,192,888)	4,782,482	-	4,782,482
Contributions	1,428	1,428	-	-	-	-	-	-	1,610,785	1,014,017	2,624,802
Special events (net of direct costs of $257,835)	-	-	-	-	-	-	-	-	150,123	81,780	231,903
Investment activity	-	-	-	-	-	-	-	-	862,870	-	862,870
Net assets released from restrictions	-	-	-	-	-	-	-	-	336,276	(336,276)	-
Total Operating Revenue and Support	14,546,416	14,546,416	-	-	-	-	-	(3,192,888)	239,918,260	759,521	240,677,781
Operating Expenses:											
Program Services:											
Residential services	-	-	-	-	-	-	-	-	108,507,732	-	108,507,732
Day and community services	-	-	-	-	-	-	-	-	58,576,796	-	58,576,796
Clinical services	13,482,262	13,482,262	-	-	-	-	-	-	21,292,372	-	21,292,372
Educational services	-	-	-	-	-	-	-	-	20,111,113	-	20,111,113
Employment services	-	-	-	-	-	-	-	-	2,504,264	-	2,504,264
Total Program Services	13,482,262	13,482,262	-	-	-	-	-	-	210,992,277	-	210,992,277
Supporting Services:											
Management and general	2,688,832	2,688,832	-	-	-	7,288	7,288	(3,192,888)	27,958,149	-	27,958,149
Fundraising	-	-	-	-	-	-	-	-	481,457	-	481,457
Total Supporting Services	2,688,832	2,688,832	-	-	-	7,288	7,288	(3,192,888)	28,439,606	-	28,439,606
Total Operating Expenses	16,171,094	16,171,094	-	-	-	7,288	7,288	(3,192,888)	239,431,883	-	239,431,883
Change In Net Assets From Operations	(1,624,678)	(1,624,678)	-	-	-	(7,288)	(7,288)	-	486,377	759,521	1,245,898
Non-Operating:											
Contribution from acquisition	-	-	(953,444)	(10,000)	(963,444)	-	-	-	-	-	-
Benefit obligation in excess of plan assets	-	-	-	-	-	-	-	-	(392,418)	-	(392,418)
Total Non-Operating Activities	-	-	(953,444)	(10,000)	(963,444)	-	-	-	(392,418)	-	(392,418)
CHANGE IN NET ASSETS	(1,624,678)	(1,624,678)	(953,444)		(963,444)	(7,288)	(7,288)	-	93,959	759,521	853,480
Net Assets - beginning of year	(7,613,018)	(7,613,018)	953,444	10,000	963,444	(596,236)	(596,236)	6,443,588	33,020,687	702,209	33,722,896
Change in reporting entity	-	-	-	-	-	-	-	-	4,686,674	32,611	4,719,285
NET ASSETS - END OF YEAR	$ (9,237,696)	$ (9,237,696)	$ -	$ -	$ -	$ (603,524)	$ (603,524)	$ 6,443,588	$ 37,801,320	$ 1,494,341	$ 39,295,661

See independent auditors' report.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES

YAI
Seeing beyond disability.

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2019 AND 2018

MARKS PANETH
ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
with Supplementary Information
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2019 and 2018

CONTENTS

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the
Young Adult Institute, Inc. and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. ("YAI") and its Affiliates: YAI/Rockland County Association for People with Disabilities ("YAI/RCAPD"), Premier HealthCare, Inc. ("PHC") and the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR") (YAI and its Affiliates are collectively referred to as the "Agency"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, during the year ended June 30, 2019, the Agency has adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Morison KSi
Independent member

Other Matter - Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (shown on pages 18-19) are presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual affiliates, 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 audits 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.

Marks Paneth LLP

New York, NY
November 27, 2019

MARKS PANETH
ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2D and 10)	$ 9,783,009	$ 15,036,602
Short-term investments (Notes 2E and 5)	13,263,816	16,952,115
Accounts receivable, net (Notes 2F and 4)	30,832,434	26,216,748
Other receivables, net (Notes 2F and 8A)	12,931,833	780,353
Prepaid expenses and other assets	6,920,266	3,704,682
Property and equipment, net (Notes 2H, 6, 7 and 8B)	44,396,252	37,704,820
Debt service reserve (Note 2N)	2,632,962	2,651,718
TOTAL ASSETS	$ 120,760,572	$ 103,047,038
LIABILITIES		
Accounts payable and accrued expenses	$ 11,431,654	$ 9,217,691
Accrued salary	8,312,579	6,227,526
Accrued vacation	4,265,477	4,178,538
Accrued pension (Note 11)	2,139,603	2,205,311
Other liabilities (Note 8F)	10,199,143	1,525,022
Due to funding sources (Note 8D)	6,786,784	9,970,057
Notes and mortgages payable (Notes 2M and 7)	41,826,974	32,711,031
Capital lease obligations (Note 8B)	958,452	19,389
Deferred rent (Note 2L)	1,117,010	3,511,216
TOTAL LIABILITIES	87,037,676	69,565,781
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2C)		
Net assets without donor restrictions		
Net invested in property and equipment	17,804,870	17,402,225
Available for operations	15,215,817	15,316,838
Total without donor restrictions	33,020,687	32,719,063
Net assets with donor restrictions (Note 9)	702,209	762,194
TOTAL NET ASSETS	33,722,896	33,481,257
TOTAL LIABILITIES AND NET ASSETS	$ 120,760,572	$ 103,047,038

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

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018	Without Donor Restrictions	With Donor Restrictions
Operating Revenue and Support						
Medicaid (Notes 2G, 2K and 12)	$ 171,807,267	$ -	$ 171,807,267	$ 167,293,418	$ 167,293,418	$ -
Government Grants (Note 2G)	21,156,094	-	21,156,094	20,594,384	20,594,384	-
Medicare and Client Fees (Notes 2G and 12)	10,804,314	-	10,804,314	10,451,114	10,451,114	-
Other Revenues	3,819,973	-	3,819,973	1,750,139	1,750,139	-
Contributions (Note 2I)	888,124	58,645	946,769	1,240,849	735,681	505,168
Special Events (net of direct costs of $587,972 and $354,100 for 2019 and 2018)	190,351	203,049	393,400	300,875	194,185	106,690
Investment Activity (Note 5)	798,942	-	798,942	69,797	69,797	-
Net Assets Released from Restrictions (Note 2C)	321,679	(321,679)	-	-	560,270	(560,270)
Total Operating Revenue and Support	209,786,744	(59,985)	209,726,759	201,700,576	201,648,988	51,588
Operating Expenses:						
Program Services:						
Residential Services	99,074,748	-	99,074,748	89,830,985	89,830,985	-
Day and Community Services	61,083,324	-	61,083,324	62,457,601	62,457,601	-
Clinical Services	21,444,941	-	21,444,941	21,554,624	21,554,624	-
Employment Services	1,900,321	-	1,900,321	1,921,949	1,921,949	-
Total Program Services	183,503,334	-	183,503,334	175,765,159	175,765,159	-
Supporting Services:						
Management and General (Note 2J)	25,354,153	-	25,354,153	23,598,986	23,598,986	-
Fundraising	520,700	-	520,700	600,604	600,604	-
Total Supporting Services	25,874,853	-	25,874,853	24,199,590	24,199,590	-
Total Operating Expenses	209,378,187	-	209,378,187	199,964,749	199,964,749	-
Change In Net Assets From Operations	408,557	(59,985)	348,572	1,735,827	1,684,239	51,588
Non-Operating Activities						
Gain from lease buyout (Note 8A)	8,407,333	-	8,407,333	-	-	-
Benefit obligation in excess of plan assets (Note 8F)	(8,514,266)	-	(8,514,266)	-	-	-
Total Non-Operating Activities	(106,933)	-	(106,933)	-	-	-
CHANGE IN NET ASSETS	301,624	(59,985)	241,639	1,735,827	1,684,239	51,588
Net Assets - Beginning of Year	32,719,063	762,194	33,481,257	31,745,430	31,034,824	710,606
NET ASSETS - END OF YEAR	$ 33,020,687	$ 702,209	$ 33,722,896	$ 33,481,257	$ 32,719,063	$ 762,194

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	For the Year Ended June 30, 2019									
	Program Services					Supporting Services				
	Residential Services	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2019	Total 2018
Salaries	$ 61,349,078	$ 29,259,389	$ 12,004,916	$ 1,304,469	$ 103,917,852	$ 11,942,353	$ 260,734	$ 12,203,087	$ 116,120,939	$ 111,058,158
Payroll taxes and benefits (Note 11)	16,231,735	7,787,160	2,655,618	339,325	27,013,838	3,177,557	68,010	3,245,567	30,259,405	31,077,666
Total Personnel Costs	77,580,813	37,046,549	14,660,534	1,643,794	130,931,690	15,119,910	328,744	15,448,654	146,380,344	142,135,824
Contracted services	1,379,360	329,008	1,695,454	139	3,403,961	1,318,610	2,966	1,321,576	4,725,537	2,406,698
Professional fees	445,900	212,038	39,807	5,736	703,481	1,842,946	13,686	1,856,632	2,560,113	2,299,551
Program supplies	2,931,842	1,762,073	462,167	1,629	5,157,711	55,039	17,326	72,365	5,230,076	4,815,900
Food	2,557,864	250,831	457	283	2,809,435	197	971	1,168	2,810,603	2,120,713
Transportation (Note 8)	1,628,056	12,586,218	229,608	40,264	14,484,146	99,090	7,327	106,417	14,590,563	13,650,049
Office and equipment expense	808,440	294,434	139,142	8,081	1,250,097	696,513	46,288	742,801	1,992,898	1,960,257
Staff development and expenses	305,071	209,199	115,370	3,672	633,312	506,235	9,699	515,934	1,149,246	952,908
Occupancy (Note 8)	2,329,549	5,135,702	1,979,257	132,005	9,576,513	160,931	-	160,931	9,737,444	10,867,739
Repairs and maintenance	1,741,038	863,600	355,146	10,001	2,969,785	307,510	-	307,510	3,277,295	3,018,230
Insurance	1,016,975	405,581	13,703	9,414	1,445,673	1,239,420	-	1,239,420	2,685,093	2,412,232
Utilities	1,290,660	518,122	130,734	5,996	1,945,512	200,889	-	200,889	2,146,401	2,182,264
Telephone	573,827	323,060	143,887	16,034	1,056,808	288,851	1,081	289,932	1,346,740	1,516,723
Information technology	456,771	388,520	675,760	15,946	1,536,997	1,702,666	29,206	1,731,872	3,268,869	2,913,746
Depreciation and amortization (Notes 2H and 6)	2,697,926	483,400	759,424	6,054	3,946,804	947,025	54,696	1,001,721	4,948,525	4,345,011
Interest	1,167,323	138,741	-	90	1,306,154	628,575	-	628,575	1,934,729	1,571,012
Bad debt	9,341	6,532	40,274	1,135	57,282	-	-	-	57,282	514,853
Miscellaneous	153,992	129,716	4,217	48	287,973	239,746	8,710	248,456	536,429	281,039
TOTAL EXPENSES	$ 99,074,748	$ 61,083,324	$ 21,444,941	$ 1,900,321	$ 183,503,334	$ 25,354,153	$ 520,700	$ 25,874,853	$ 209,378,187	$ 199,964,749

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services					Supporting Services			
	Residential Services	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2018
Salaries	$ 54,987,225	$ 30,415,414	$ 12,870,399	$ 1,297,861	$ 99,570,899	$ 11,125,290	$ 361,969	$ 11,487,259	$ 111,058,158
Payroll taxes and benefits (Note 11)	15,653,907	8,721,029	2,925,411	348,365	27,648,712	3,329,087	99,867	3,428,954	31,077,666
Total Personnel Costs	70,641,132	39,136,443	15,795,810	1,646,226	127,219,611	14,454,377	461,836	14,916,213	142,135,824
Contracted services	672,149	164,207	960,018	7,838	1,804,212	601,280	1,206	602,486	2,406,698
Professional fees	379,507	200,782	33,159	5,054	618,502	1,641,365	39,684	1,681,049	2,299,551
Program supplies	2,710,676	1,654,233	397,293	2,686	4,764,888	51,012	-	51,012	4,815,900
Food	1,912,176	203,168	425	117	2,115,886	-	4,827	4,827	2,120,713
Transportation (Note 8)	1,434,537	11,837,887	227,135	39,247	13,538,806	105,906	5,337	111,243	13,650,049
Office and equipment expense	788,628	332,419	163,001	15,050	1,299,098	606,066	55,093	661,159	1,960,257
Staff development and expenses	291,903	236,220	60,580	5,815	594,518	347,729	10,661	358,390	952,908
Occupancy (Note 8)	2,196,211	5,014,097	1,746,712	106,711	9,063,731	1,804,008	-	1,804,008	10,867,739
Utilities	1,292,321	522,739	145,072	14,727	1,974,859	207,405	-	207,405	2,182,264
Repairs and maintenance	1,684,320	719,980	316,060	13,688	2,734,048	284,182	-	284,182	3,018,230
Insurance	906,703	428,097	219,790	10,264	1,564,854	847,299	79	847,378	2,412,232
Telephone	593,934	320,589	129,618	27,991	1,072,132	443,408	1,183	444,591	1,516,723
Information technology	518,129	682,306	299,794	16,743	1,516,972	1,381,475	15,299	1,396,774	2,913,746
Depreciation and amortization (Notes 2H and 6)	2,686,291	466,000	921,948	5,750	4,079,989	263,418	1,604	265,022	4,345,011
Interest	1,035,464	110,762	-	-	1,146,226	424,786	-	424,786	1,571,012
Bad debt	-	378,029	133,290	3,534	514,853	-	-	-	514,853
Miscellaneous	86,904	49,643	4,919	508	141,974	135,270	3,795	139,065	281,039
TOTAL EXPENSES	$ 89,830,985	$ 62,457,601	$ 21,554,624	$ 1,921,949	$ 175,765,159	$ 23,598,986	$ 600,604	$ 24,199,590	$ 199,964,749

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

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 241,639	$ 1,735,827
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,221,804	4,345,011
Accelerated Depreciation due to move	726,721	-
Non-cash interest expense	276,449	222,386
Unrealized loss (gain) on short-term investments	(291,132)	32,665
Realized gain on short-term investments	(144,776)	(1,279)
Bad debt	57,282	514,853
Loss on disposal of property and equipment	99,919	-
Subtotal	5,187,906	6,849,463
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(4,672,968)	33,311
Prepaid expenses and other assets	(3,215,584)	784,800
Other receivables	(12,151,480)	216,857
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,213,963	(94,365)
Accrued salary	2,085,053	(188,986)
Accrued vacation	86,939	1,112,768
Accrued pension	(65,708)	(809,070)
Due to funding sources	(3,183,273)	(6,555,980)
Deferred rent	(2,394,206)	(261,196)
Other liabilities	8,674,121	(2,293,700)
Net Cash Used in Operating Activities	(7,435,237)	(1,206,098)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(11,739,876)	(4,367,415)
Purchases of short-term investments	(8,342,665)	(10,778,138)
Proceeds from sale of short-term investments	12,470,175	12,373,753
Decrease in debt service reserve	15,453	13,742
Net Cash Used in Investing Activities	(7,596,913)	(2,758,058)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes and mortgages	21,322,845	3,921,982
Principal repayments of notes and mortgages	(11,917,187)	(5,298,542)
Bond issuance Cost	(566,163)	-
Principal capital lease obligations	1,043,369	-
Principal repayments of capital lease obligations	(104,307)	(112,748)
Net Cash Provided by (Used in) Financing Activities	9,778,557	(1,489,308)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,253,593)	(5,453,464)
Cash and Cash Equivalents - Beginning of Year	15,036,602	20,490,066
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,783,009	$ 15,036,602
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 1,658,280	$ 1,348,626

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

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1964. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local levels.

YAI serves people of all ages with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI's has over 300 programs and direct services that benefit over 21,000 individuals and their families daily in ten counties throughout the New York metropolitan area. YAI is funded primarily by Medicaid.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey, and Puerto Rico. YAI is the sole corporate member of three of these agencies which have been included in the consolidated financial statements (collectively, the “Agency”). Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. (“PHC”). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local levels. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, gynecology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC’s primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.

- YAI is the sole corporate member of the YAI/Rockland County Association for People with Disabilities (“YAI/RCAPD”). YAI/RCAPD has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI/RCAPD has an equivalent exemption at the state and local levels. YAI/RCAPD provides a wide variety of employment, residential, family support and social/recreational programs which promote essential social and vocational skills that enable people with learning and other developmental disabilities to lead independent, productive and dignified lives. YAI/RCAPD provides extensive support and education to families and guidance and training to professionals who are assisting people with developmental and learning disabilities. YAI/RCAPD is funded primarily by service fees paid by various New York State agencies and government grants. Effective July 1, 2019, YAI/RCAPD merged into YAI.

- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. (“IIPD-PR”), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local levels. IIPD-PR’s mission is to create employment opportunities for people with disabilities. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrated a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR did not have any programmatic operations during the fiscal years ending June 30, 2019 and 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** The Agency’s consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. ***Basis of Consolidation -*** The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; YAI/RCAPD and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.

C. ***Basis of Net Asset Presentation -*** The Agency maintains its net assets under the following three classes:

Without donor restrictions – represents resources available for support of the Agency's operations over which the Board of Trustees has discretionary control as well as investment in property, plant and equipment.

With donor restrictions – represents assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

D. ***Cash and Cash Equivalents -*** The Agency considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents. Program participant funds included in cash and cash equivalents amounted to approximately $758,000 and $1,226,000, respectively, for the years ended June 30, 2019 and 2018. Such amounts are also included as a liability in the accompanying consolidated financial statements.

E. ***Short-term Investments and Fair Value Measurements -*** Short-term investments are carried at fair value. Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

F. ***Allowance for Uncollectible Receivables -*** The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2019 and 2018, the Agency determined an allowance of $2,184,609 and $2,203,462, respectively, for accounts receivable was necessary. In addition, the Agency has established an allowance for doubtful accounts for other receivables due from network agencies of $1,223,376 and $1,182,988 as of June 30, 2019 and 2018, which representing nearly the entire balance due.

G. ***Revenue Recognition -*** The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue includes management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement. Medicaid is accounted for under Accounting Standards Codification Topic 606. Government grants are accounted for under Accounting Standard Update ("ASU") 2018-08. Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion.

H. ***Property and Equipment -*** Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by the Agency provided its cost is $5,000 or more and its useful life is greater than one year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. ***Contributions -*** Unconditional contributions, including promises to give cash and other assets, are reported at their fair value on the date the contribution is received. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions are accounted for under ASU 2018-08.

J. ***Functional Expenses -*** The costs of providing program and supporting services of the Agency have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, expenses that are not directly charged to programs and supporting services are allocated among programs and supporting services. The expenses that are allocated include occupancy and maintenance which is allocated on a square footage basis, as well as payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

K. ***Prior Period Revenue -*** There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the years ended June 30, 2019 and 2018 is an increase of $2,040,224 and $7,182,865, respectively, of prior year revenues relating to such adjustments.

L. ***Deferred Rent -*** The Agency leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, the Agency records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statements of financial position.

M. ***Bond Issuance Costs -*** Bond issuance costs consist of financing costs which are amortized over the life of the bond. The amortization is on the straight-line method which does not differ materially from the effective interest rate method.

N. ***Debt Service Reserves -*** Under the terms of the Industrial Development Agency ("IDA"), and Dormitory Authority of State of New York ("DASNY"), the Agency is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of IDA or DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at market value in the accompanying consolidated statements of financial position.

O. ***Recent Accounting Pronouncements*** - Financial Accounting Standards Board ("FASB") ASU 2016-14, "Not-for-Profit Entities" was adopted by or the year ended June 30, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. This change has no impact on the change in net assets for the year ended June 30, 2019. Net assets as of June 30, 2018 were renamed to conform to the new presentation.

FASB ASU 2014-09, "Revenue from Contracts with Customers" (Topic 606) was also adopted by the Agency for the year ended June 30, 2019. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services as described in Note 12.

FASB ASU 2018-08, "Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made" (Topic 958) was also adopted by the Agency for the year ended June 30, 2019. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional as further descried in Note 2I.

NOTE 3 – LIQUIDITY AND AVAILABILITY

As of June 30, 2019, financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement financial position date, include the following:

Cash and cash equivalents	$ 9,783,009
Short-term investments	13,263,816
Accounts receivable, net	30,832,434
Other receivables	12,931,833
Total Financial Assets	66,811,092
Less: Other receivables due in more than one year	(5,684,202)
Less: Program participant funds	(758,000)
Less: Net assets with donor restrictions	(702,209)
	$ 59,666,681

The Agency strives to maintain liquid financial assets sufficient to cover expenditures. Revenue from funders are expected to cover most expenses. Financial assets are available to fund any programs or supporting services with unanticipated shortfalls. In addition, as noted in Note 7, the Agency has multiple lines of credit totaling a maximum drawdown of $36 million.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30:

	2019	2018
Due from Medicaid	$ 21,474,728	$ 19,244,669
Due from the State of New York	7,634,546	6,297,129
Due from the City of New York	1,272,255	1,435,359
Due from other sources	2,635,514	1,443,053
	33,017,043	28,420,210
Less: allowance for doubtful accounts	(2,184,609)	(2,203,462)
	$ 30,832,434	$ 26,216,748

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30:

	2019	2018
Money market funds	$ 2,021,911	$ 8,322,485
Mutual funds	2,134,739	1,009,606
Corporate bonds	3,797,753	3,016,319
Government bonds	4,770,442	4,089,585
Alternative investments	538,971	514,120
	$ 13,263,816	$ 16,952,115

Investment activity consists of the following for the years ended June 30:

	2019	2018
Interest	$ 363,034	$ 101,183
Realized gain	144,776	1,279
Unrealized gain (loss)	291,132	(32,665)
	$ 798,942	$ 69,797

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

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

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. The Agency has no level 3 investments.

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets and U.S. Treasury bills are valued using market prices in active markets (Level 1). Fair value of these investments is determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds, U.S. Government bonds and alternative investments are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

Financial assets carried at fair value as of June 30, 2019 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 2,021,911	$ -	$ 2,021,911
Mutual funds	2,134,739	-	2,134,739
Corporate bonds	-	3,797,753	3,797,753
Government bonds	-	4,770,442	4,770,442
Alternative investments	-	538,971	538,971
Total Short-Term Investments	4,156,650	9,107,166	13,263,816
Debt Service Reserve Fund:			
U.S. Treasury bills	2,632,962	-	2,632,962
	$ 6,789,612	$ 9,107,166	$ 15,896,778

Financial assets carried at fair value as of June 30, 2018 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 8,322,485	$ -	$ 8,322,485
Mutual funds	1,009,606	-	1,009,606
Corporate bonds	-	3,016,319	3,016,319
Government bonds	-	4,089,585	4,089,585
Alternative investments	-	514,120	514,120
Total Short-Term Investments	9,297,154	7,654,961	16,952,115
Debt Service Reserve Fund:			
U.S. Treasury bills	2,651,718	-	2,651,718
	$ 11,948,872	$ 7,654,961	$ 19,603,833

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2019	2018	Estimated Useful Lives
Land	$ 11,772,584	$ 10,812,584	
Buildings and building improvements	64,447,640	59,354,338	15-25 years
Leasehold improvements	24,768,160	25,595,251	5-25 years
Furniture and equipment	17,069,390	17,530,447	3-10 years
Construction in progress	6,974,001	3,571,544	
	125,031,775	116,864,164	
Less: accumulated depreciation	(80,635,523)	(79,159,344)	
	$ 44,396,252	$ 37,704,820	

Depreciation and amortization expenses amounted to $4,948,525 and $4,345,011 for the years ended June 30, 2019 and 2018, respectively. During 2019, YAI accelerated the depreciation for leasehold improvements and furniture and equipment related to the central office move amounted to $726,721 of the depreciation and amortization expense. For the year ended June 30, 2019, fixed assets with a total cost of $3,572,265 and total accumulated depreciation of $3,472,346 were disposed. This resulted in a loss of $99,919 on disposal of property and equipment.

Construction in progress consists of construction at new locations and various renovations with a combined additional estimated cost to complete of approximately $12 million and estimated completion dates in fiscal year 2020.

NOTE 7 – NOTES AND MORTGAGES PAYABLE

	2019	2018
A. YAI has available an $18 million working capital line of credit with a bank carrying an interest rate of prime or 30-day London Inter-bank Offered Rate ("LIBOR") (at YAI's election) plus 2% per annum, which at June 30, 2019 interest rates were between 4.68% and 4.72%. The loan is collateralized by YAI's accounts receivable and matures in December 2019. YAI is in the process of renewing the line of credit. The outstanding balance as of November 27, 2019 amounted to $15,793,606.	$ 10,842,911	$ 7,842,911
B. YAI has available a $14 million line of credit with a bank for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on this line of credit are subsequently converted into notes. As of June 30, 2019, there were ten notes executed. The notes bear an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, resulting in a rate of between 4.68% and 4.72% at June 30, 2019. The notes are collateralized by related property and mature in December 2020. YAI is in the process of renewing the line of credit. The outstanding balance as of November 27, 2019 amounted to $10,324,023.	5,132,305	4,928,613
C. YAI has entered into various loan agreements with the Dormitory Authority of the State of New York. The loans carry interest rates ranging from 1.57% to 4.52% per annum, payable in semi-annual installments and have maturity dates ranging from August 2018 through July 2044. The loans are collateralized by YAI's underlying real property.	24,668,963	18,486,967

NOTE 7 – NOTES AND MORTGAGES PAYABLE (Continued)

	2019	2018
D. PHC has a $3 million revolving line of credit with a bank. The line has an interest rate equal to the prime rate plus 0.50% per annum. The line of credit is guaranteed by YAI. The outstanding balance as of November 27, 2019 amounted to $2,452,330.	$ 2,042,330	$ 1,282,331
E. YAI/RCAPD had a line of credit with a bank in the amount of $1 million. The line of credit had an interest rate at the lender's prime rate. The line of credit was guaranteed by YAI. The line of credit was paid off and closed in July 2019.	675,841	650,870
F. YAI/RCAPD financed the purchase and renovation of certain properties through the issuance of Civic Facility Revenue Bonds Series 2006J by the County of Rockland Industrial Development Agency (Special Needs Facilities Pooled Program) carrying average interest rates of: 4.75%, 4.74%, 4.78% and 4.75% per annum maturing in July 2020. The proceeds of the loan were used to finance the purchase and renovation of collateralized properties located in Rockland County, New York.	-	765,001
	43,362,350	33,956,693
Less: unamortized debt issuance costs	(1,535,376)	(1,245,662)
Notes and mortgages payable, net	$ 41,826,974	$ 32,711,031

Most of the loans have provisions for loan covenants. The Agency was in compliance with these covenants as of and during the years ended June 30, 2019 and 2018. The unamortized debt issuance costs increased due to an addition of closing costs of $512,100 for new loans less non-cash interest expense of $222,386.

Required future annual principal payments are payable as follows for the years ending June 30:

2020	$ 16,113,019
2021	7,144,125
2022	1,951,878
2023	2,543,641
2024	1,599,667
Thereafter	14,010,020
	$ 43,362,350

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Agency has a number of operating lease agreements. Annual future minimum rentals payable for real and personal property principally under long-term operating leases expiring at varying dates through 2038 follows:

	Real Property	Vehicles and Equipment	Total
2020	$ 7,294,906	$ 1,548,746	$ 8,843,652
2021	3,144,170	1,352,579	4,496,749
2023	2,678,774	895,121	3,573,895
2024	2,481,601	494,248	2,975,849
2025	2,317,244	-	2,317,244
Thereafter	8,949,941	-	8,949,941
	$ 26,866,636	$ 4,290,694	$ 31,157,330

YAI's 460 West 34th Street lease was due to expire in 2027. During 2019 fiscal year, the landlord bought out YAI's lease with a surrender agreement for approximately $8.4 million which, is included in other receivables as of June 30, 2019.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

YAI's 460 West 34th Street lease was due to expire in 2027. During 2019 fiscal year, the landlord bought out YAI's lease with a surrender agreement for approximately $8.4 million which, is included in other receivables as of June 30, 2019.

Rent expense (shown as occupancy and transportation in the accompanying consolidated statements of functional expenses) amounted to the following for the years ended June 30:

	2019	2018
Real property	$ 8,312,242	$ 9,732,662
Vehicles and equipment	1,507,656	938,977
	$ 9,819,898	$ 10,671,639

B. YAI has capital leases for computer and electronic equipment with maturities in 2024, and with the following annual payments:

2020	$ 185,360
2021	197,872
2022	211,229
2023	225,489
2024	138,500
	$ 958,450

C. The Agency believes it has no uncertain tax positions as of June 30, 2019 and 2018 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

D. The Agency receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. The Agency, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates. As of June 30, 2019 and 2018, due to funding source represents overpayments from the 2012-2019 fiscal years for the Agency's programs. Such amounts are expected to be recouped by the funding sources.

E. The Agency is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of the Agency.

F. During 2019 YAI recorded the benefit obligation for a Supplemental Pension Plan and Trust and Life Insurance Plan and Trust in excess of the assets of the plan for certain previous employees. The liability amounted to approximately $8.5 million and is included in other liabilities in the consolidated statements of financial position. The liability represents the present value of the future obligation calculated with a discount rate of 5.5% and social security life expectancy table.

G. Subsequent to year end, YAI has entered into a sale and purchase agreement of a condominium to relocate its central office. The purchase price for the unit is approximately $26 million, which shall be paid with interest calculated at the rate of 8% per annum and payable in monthly installments, commencing one hundred eighty days following the closing date of September 3, 2019.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Installment purchase payments are as follows:

2020	$ 705,615
2021	2,116,844
2022	2,116,844
2023	2,116,844
2024	2,116,844
Thereafter	76,938,218
	$ 86,111,209

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

The Agency's net assets with donor restrictions subject to expenditure for the specified purpose of the passage of time consist of the following as of June 30:

	2019	2018
Community of Learners and Linking Individuals to Necessary Knowledge	$ 692,209	$ 752,194
Endowment fund held in perpetuity	10,000	10,000
	$ 702,209	$ 762,194

During the years ended June 30, 2019 and 2018, the Agency released net assets with donor restriction of $321,679 and $560,270, respectively, by satisfying donor-imposed purpose, passage of time restrictions and appropriation of endowment earnings by the Board of Trustees. Endowment net assets amounted to $10,000 as of both June 30, 2019 and 2018. As of June 30, 2019, and 2018, there were no underwater funds.

NOTE 10 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to $250,000 per depositor. As of June 30, 2019 and 2018, there was approximately $9 million and $15 million of cash and cash equivalents and $12 million and $13 million, respectively, of short-term investments held by one bank that exceeded FDIC limits.

NOTE 11 – RETIREMENT PLANS

On July 1, 2015, the Agency adopted the YAI Network Affiliates 401(a) Plan. Employees are eligible to participate in the plan upon completion of one year of service after July 1, 2015 and when the employee worked at least 1,000 hours. Contributions to this plan are based on amounts determined in accordance with the Internal Revenue Code Section 415. The liability for the Agency amounted to approximately $2,140,000 and $2,205,000 as of June 30, 2019 and 2018, respectively. The expense for the Agency amounted to $2,115,000 and $2,185,000 for the years ended June 30, 2019 and 2018, respectively. In December 2018 the Agency adopted changes to both the YAI Network Affiliates 401(a) Plan and the YAI Network Affiliates 403(b) Plan. The changes included ending employer contributions into the 401(a) plan effective after the year ending June 30, 2019 and replacing that benefit with a 403(b) match effective July 1, 2019.

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Service Contracts - The Agency receives Medicaid revenue from contracts with the New York State Office for People with Developmental Disabilities (OPWDD) to provide support and services to individuals with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living.. Revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing the contracted services. These amounts are due from OPWDD, third-party payors (Medicare), individuals (Client Fees) and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations.

NOTE 12 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Generally, the Agency bills OPWDD, third-party payors and individuals after the services are performed or has completed their portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

Performance Obligations - Performance obligations are determined based on the nature of the services provided by the Agency in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Agency measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the OPWDD stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2019. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. The Agency determines the transaction price based on established rates and contracts for services provided.

Program service fees consist of revenues for the following programs:

	Medicaid	Medicare and Client Fees	Total
Residential Services	$ 86,933,165	$ 8,081,980	$ 95,015,145
Day and Community Services	60,157,357	97,910	60,255,267
Clinical Services	21,800,952	2,622,924	24,423,876
Employment Services	826,139	1,500	827,639
Other	2,089,654	-	2,089,654
	$ 171,807,267	$ 10,804,314	$ 182,611,581

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition or disclosure, events subsequent to the date of the consolidated statement of financial position through November 27, 2019, the date the consolidated financial statements were available to be issued.

Effective July 1, 2019, YAI became the sole corporate member of The STAR Program d/b/a Manhattan Star Academy ("MSA"). MSA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. MSA offers a continuum of care for school-age children with a diverse range of diagnoses, including developmental delays, autism spectrum disorders and speech language disorders.

Effective July 1, 2019, YAI became the sole corporate member of The International Academy of Hope ("iHOPE"). iHOPE is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. iHOPE provides educational and related services to children, adolescents, and young adults from ages 5 years to 21 years old, who have sustained acquired brain injuries or other brain-based disorders who cannot be served in their local school systems.

After receiving approval from the YAI and YAI/RCAPD Board of Trustees, OPWDD, and the New York State Attorney General's Office YAI and YAI/RCAPD entered into a transaction whereby all of YAI/RCAPD's program contracts, assets and liabilities were transferred to YAI. Effective July 1, 2019, YAI/RCAPD ceased operations with the Certificate of Incorporation of YAI being the Certificate of Incorporation of the surviving entity without any amendments or changes. Subsequent to the effective date of the transfer, the business of the combined corporations is conducted through YAI as the surviving organization.

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2019

	YAI	YAI/RCAPD	PHC	IIPD-PR	Consolidating Eliminations	Total 2019
ASSETS						
Cash and cash equivalents	$ 9,068,076	$ 275,769	$ 437,415	$ 1,749	$ -	$ 9,783,009
Short-term investments	13,263,816	-	-	-	-	13,263,816
Accounts receivable, net	26,537,970	1,362,240	2,932,224	-	-	30,832,434
Other receivables, net	14,924,775	-	-	-	(1,992,942)	12,931,833
Prepaid expenses and other assets	6,460,561	147,003	307,163	5,539	-	6,920,266
Property and equipment, net	41,829,121	2,125,179	441,952	-	-	44,396,252
Debt service reserve	2,632,962	-	-	-	-	2,632,962
TOTAL ASSETS	$ 114,717,281	$ 3,910,191	$ 4,118,754	$ 7,288	$ (1,992,942)	$ 120,760,572
LIABILITIES						
Accounts payable and accrued expenses	$ 9,930,975	$ 714,134	$ 786,545	$ -	$ -	$ 11,431,654
Accrued salary	7,730,406	157,341	424,832	-	-	8,312,579
Accrued vacation	3,790,515	90,906	384,056	-	-	4,265,477
Accrued pension	2,000,915	44,057	94,631	-	-	2,139,603
Other liabilities	10,199,143	-	-	-	-	10,199,143
Due to funding sources	5,480,034	195,273	1,111,477	-	-	6,786,784
Notes and mortgages payable	39,108,803	675,841	2,042,330	-	-	41,826,974
Capital lease obligations	958,452	-	-	-	-	958,452
Due to related party	-	1,035,128	6,797,878	603,524	(8,436,530)	-
Deferred rent	992,920	34,067	90,023	-	-	1,117,010
TOTAL LIABILITIES	80,192,163	2,946,747	11,731,772	603,524	(8,436,530)	87,037,676
COMMITMENTS AND CONTINGENCIES						
NET ASSETS (DEFICIT)						
Net assets without donor restrictions						
Net invested in property and equipment	15,237,739	2,125,179	441,952	-	-	17,804,870
Available for operations	18,595,170	(1,171,735)	(8,054,970)	(596,236)	6,443,588	15,215,817
Total net assets without donor restrictions	33,832,909	953,444	(7,613,018)	(596,236)	6,443,588	33,020,687
Net Assets with donor restrictions	692,209	10,000	-	-	-	702,209
TOTAL NET ASSETS (DEFICIT)	34,525,118	963,444	(7,613,018)	(596,236)	6,443,588	33,722,896
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 114,717,281	$ 3,910,191	$ 4,118,754	$ 7,288	$ (1,992,942)	$ 120,760,572

See independent auditors' report.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Young Adult Institute, Inc.			YAI/Rockland County Association for People with Disabilities			Premier Healthcare, Inc.		International Institute for People with Disabilities of Puerto Rico, Inc.			Consolidated Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total	Unrestricted	Total	Consolidating Eliminations	Without Donor Restrictions	With Donor Restrictions	Total 2019
Operating Revenue and Support														
Medicaid	$ 153,844,277	$ -	$ 153,844,277	$ 4,551,789	$ -	$ 4,551,789	13,411,201	$ 13,411,201	$ -	$ -	$ -	$ 171,807,267	$ -	$ 171,807,267
Government Grants	18,957,757	-	18,957,757	2,198,337	-	2,198,337	-	-	-	-	-	21,156,094	-	21,156,094
Medicare and Client fees	7,732,305	-	7,732,305	449,085	-	449,085	2,622,924	2,622,924	-	-	-	10,804,314	-	10,804,314
Other Revenues	5,843,427	-	5,843,427	-	-	-	-	-	-	-	(2,023,454)	3,819,973	-	3,819,973
Contributions	880,393	58,645	939,038	7,328	-	7,328	403	403	-	-	-	888,124	58,645	946,769
Special Events (net of direct costs of $587,972 and $354,100 for 2019 and 2018, respectively)	190,351	203,049	393,400	-	-	-	-	-	-	-	-	190,351	203,049.00	393,400
Investment Activity	781,321	-	781,321	14,614	-	14,614	3,007	3,007	-	-	-	798,942	-	798,942
Net Assets Released from Restrictions	321,679	(321,679)	-	-	-	-	-	-	-	-	-	321,679.00	(321,679.00)	-
Total Operating Revenue and Support	188,551,510	(59,985)	188,491,525	7,221,153	-	7,221,153	16,037,535	16,037,535	-	-	(2,023,454)	209,786,744	(59,985)	209,726,759
Operating Expenses:														
Program Services:														
Residential Services	94,598,475	-	94,598,475	4,476,273	-	4,476,273	-	-	-	-		99,074,748	-	99,074,748
Day and Community Services	60,586,699	-	60,586,699	496,625	-	496,625	-	-	-	-	-	61,083,324	-	61,083,324
Clinical Services	8,064,462	-	8,064,462	-	-	-	13,380,479	13,380,479	-	-	-	21,444,941	-	21,444,941
Employment Services	1,194,977	-	1,194,977	705,344	-	705,344	-	-	-	-	-	1,900,321	-	1,900,321
Total Program Services	164,444,613	-	164,444,613	5,678,242	-	5,678,242	13,380,479	13,380,479	-	-	-	183,503,334	-	183,503,334
Supporting Services:														
Management and General	23,338,774	-	23,338,774	1,069,668	-	1,069,668	2,965,371	2,965,371	3,794	3,794	(2,023,454)	25,354,153	-	25,354,153
Fundraising	520,700	-	520,700	-	-	-	-	-	-	-	-	520,700	-	520,700
Total Supporting Services	23,859,474	-	23,859,474	1,069,668	-	1,069,668	2,965,371	2,965,371	3,794	3,794	(2,023,454)	25,874,853	-	25,874,853
Total Operating Expenses	188,304,087	-	188,304,087	6,747,910	-	6,747,910	16,345,850	16,345,850	3,794	3,794	(2,023,454)	209,378,187	-	209,378,187
Change In Net Assets From Operations	247,423	(59,985)	187,438	473,243	-	473,243	(308,315)	(308,315)	(3,794)	(3,794)	-	408,557	(59,985)	348,572
Non-Operating:														
Gain from lease buyout	8,407,333		8,407,333	-	-	-	-	-	-	-	-	8,407,333		8,407,333
Benefit obligation in excess of plan assets	(8,514,266)	-	(8,514,266)	-	-	-	-	-	-	-	-	(8,514,266)	-	(8,514,266)
Total Non-Operating	(106,933)	-	(106,933)	-	-	-	-	-	-	-	-	(106,933)	-	(106,933)
CHANGE IN NET ASSETS	140,490	(59,985)	80,505	473,243	-	473,243	(308,315)	(308,315)	(3,794)	(3,794)	-	301,624	(59,985)	241,639
Net Assets - Beginning of Year	33,692,419	752,194	34,444,613	480,201	10,000	490,201	(7,304,703)	(7,304,703)	(592,442)	(592,442)	6,443,588	32,719,063	762,194	33,481,257
NET ASSETS - END OF YEAR	$ 33,832,909	$ 692,209	$ 34,525,118	$ 953,444	$ 10,000	$ 963,444	$ (7,613,018)	$ (7,613,018)	$ (596,236)	$ (596,236)	$ 6,443,588	$ 33,020,687	$ 702,209	$ 33,722,896

See independent auditors' report.

Young Adult Institute, Inc. and Affiliates

YAI
Seeing beyond disability.

Consolidated Financial Statements
with Supplementary Information
(Together with Independent Auditors' Report)

Years Ended June 30, 2018 and 2017

MARKS PANETH
ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
with Supplementary Information
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2018 and 2017

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Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Young Adult Institute, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Young Adult Institute, Inc. ("YAI") and its Affiliates: Rockland County Association for People with Disabilities ("RCAPD"), Premier HealthCare, Inc. ("PHC") and the International Institute for People with Disabilities of Puerto Rico, Inc. ("IIPD-PR") (YAI and its Affiliates are collectively referred to as the "Agency") which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Morison KSi
Independent member

Other Matter - Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules (shown on pages 18-19) are presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual affiliates, 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 audits 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.

Marks Paneth LLP

New York, NY
November 30, 2018

MARKS PANETH
ACCOUNTANTS & ADVISORS

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2D and 11)	$ 15,036,602	$ 20,490,066
Short-term Investments (Notes 2E and 4)	16,952,115	18,579,116
Accounts receivable, net (Notes 2F and 3)	26,216,748	26,764,912
Other receivables, net (Note 2F)	780,353	997,210
Prepaid expenses and other assets	3,704,682	4,489,482
Property and equipment, net (Notes 2H, 5, 6 and 7)	37,704,820	37,682,416
Debt service reserve (Notes 2N and 4)	2,651,718	2,665,460
TOTAL ASSETS	$ 103,047,038	$ 111,668,662
LIABILITIES		
Accounts payable and accrued expenses	$ 9,217,691	$ 9,312,056
Accrued salary	6,227,526	6,416,512
Accrued vacation	4,178,538	3,065,770
Accrued pension (Note 12)	2,205,311	3,014,381
Other liabilities	1,525,022	3,818,722
Due to funding sources (Note 8C)	9,970,057	16,526,037
Notes and mortgages payable (Notes 2M and 7)	32,711,031	33,865,205
Capital lease obligations (Note 6)	19,389	132,137
Deferred rent (Note 2L)	3,511,216	3,772,412
TOTAL LIABILITIES	69,565,781	79,923,232
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2C)		
Unrestricted		
Invested in property and equipment	17,402,225	15,193,445
Available for operations	15,316,838	15,841,379
Total Unrestricted	32,719,063	31,034,824
Temporarily restricted (Note 9)	752,194	700,606
Permanently restricted (Note 10)	10,000	10,000
TOTAL NET ASSETS	33,481,257	31,745,430
TOTAL LIABILITIES AND NET ASSETS	$ 103,047,038	$ 111,668,662

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

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted
REVENUE AND SUPPORT								
Medicaid (Notes 2G and 2K)	$ 167,293,418	$ -	$ -	$ 167,293,418	$ 162,511,388	$ 162,511,388	$ -	$ -
Government Contracts (Note 2G)	20,594,384	-	-	20,594,384	19,985,946	19,985,946	-	-
Medicare and Client Fees (Note 2G)	10,451,114	-	-	10,451,114	9,830,514	9,830,514	-	-
Vocational Rehabilitation	-	-	-	-	34,200	34,200	-	-
Other Revenues	1,750,139	-	-	1,750,139	1,736,671	1,736,671	-	-
Contributions (Note 2I)	735,681	505,168	-	1,240,849	760,780	590,761	170,019	-
Special Events (net of direct costs of $354,100 and $280,751 for 2018 and 2017)	194,185	106,690	-	300,875	439,296	325,532	113,764	-
Investment Activity (Note 4)	69,797	-	-	69,797	101,097	101,097	-	-
Net Assets Released from Restrictions (Note 2C)	560,270	(560,270)	-	-	-	679,862	(679,862)	-
TOTAL REVENUE AND SUPPORT	201,648,988	51,588	-	201,700,576	195,399,892	195,795,971	(396,079)	-
EXPENSES:								
Program Services:								
Residential Services	89,830,985	-	-	89,830,985	86,188,459	86,188,459	-	-
Day and Community Services	62,457,601	-	-	62,457,601	61,528,924	61,528,924	-	-
Clinical Services	21,554,624	-	-	21,554,624	21,006,826	21,006,826	-	-
Employment Services	1,921,949	-	-	1,921,949	1,741,892	1,741,892	-	-
Total Program Services	175,765,159	-	-	175,765,159	170,466,101	170,466,101	-	-
Supporting Services:								
Management and General (Note 2J)	23,598,986	-	-	23,598,986	23,538,859	23,538,859	-	-
Fundraising	600,604	-	-	600,604	537,870	537,870	-	-
Total Supporting Services	24,199,590	-	-	24,199,590	24,076,729	24,076,729	-	-
TOTAL EXPENSES	199,964,749	-	-	199,964,749	194,542,830	194,542,830	-	-
CHANGE IN NET ASSETS	1,684,239	51,588	-	1,735,827	857,062	1,253,141	(396,079)	-
Net Assets - Beginning of Year	31,034,824	700,606	10,000	31,745,430	30,888,368	29,781,683	1,096,685	10,000
NET ASSETS - END OF YEAR	$ 32,719,063	$ 752,194	$ 10,000	$ 33,481,257	$ 31,745,430	$ 31,034,824	$ 700,606	$ 10,000

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	For the Year Ended June 30, 2018									
	Program Services					Supporting Services				
	Residential Services	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2018	Total 2017
Salaries	$ 54,987,225	$ 30,415,414	$ 12,870,399	$ 1,297,861	$ 99,570,899	$ 11,125,290	$ 361,969	$ 11,487,259	$ 111,058,158	$ 105,391,424
Payroll taxes and benefits (Note 12)	15,653,907	8,721,029	2,925,411	348,365	27,648,712	3,329,087	99,867	3,428,954	31,077,666	29,778,661
Total Personnel Costs	70,641,132	39,136,443	15,795,810	1,646,226	127,219,611	14,454,377	461,836	14,916,213	142,135,824	135,170,085
Contracted services	672,149	164,207	960,018	7,838	1,804,212	601,280	1,206	602,486	2,406,698	3,289,918
Professional fees	379,507	200,782	33,159	5,054	618,502	1,641,365	39,684	1,681,049	2,299,551	3,633,731
Program supplies	2,710,676	1,654,233	397,293	2,686	4,764,888	51,012	-	51,012	4,815,900	4,266,426
Food	1,912,176	203,168	425	117	2,115,886	-	4,827	4,827	2,120,713	1,986,027
Transportation (Note 8)	1,434,537	11,837,887	227,135	39,247	13,538,806	105,906	5,337	111,243	13,650,049	12,177,705
Office and equipment expense	788,628	332,419	163,001	15,050	1,299,098	606,066	55,093	661,159	1,960,257	1,981,835
Staff development and expenses	291,903	236,220	60,580	5,815	594,518	347,729	10,661	358,390	952,908	795,470
Occupancy (Note 8)	2,196,211	5,014,097	1,746,712	106,711	9,063,731	1,804,008	-	1,804,008	10,867,739	11,205,547
Repairs and maintenance	1,684,320	719,980	316,060	13,688	2,734,048	284,182	-	284,182	3,018,230	3,450,300
Insurance	906,703	428,097	219,790	10,264	1,564,854	847,299	79	847,378	2,412,232	1,556,022
Utilities	1,292,321	522,739	145,072	14,727	1,974,859	207,405	-	207,405	2,182,264	2,437,425
Telephone	593,934	320,589	129,618	27,991	1,072,132	443,408	1,183	444,591	1,516,723	1,537,189
Information technology	518,129	682,306	299,794	16,743	1,516,972	1,381,475	15,299	1,396,774	2,913,746	2,510,897
Depreciation and amortization (Notes 2H and 5)	2,686,291	466,000	921,948	5,750	4,079,989	263,418	1,604	265,022	4,345,011	4,396,432
Interest	1,035,464	110,762	-	-	1,146,226	424,786	-	424,786	1,571,012	1,720,071
Bad debts	-	378,029	133,290	3,534	514,853	-	-	-	514,853	2,292,452
Miscellaneous	86,904	49,643	4,919	508	141,974	135,270	3,795	139,065	281,039	135,298
TOTAL EXPENSES	$ 89,830,985	$ 62,457,601	$ 21,554,624	$ 1,921,949	$ 175,765,159	$ 23,598,986	$ 600,604	$ 24,199,590	$ 199,964,749	$ 194,542,830

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services					Supporting Services			
	Residential Services	Day and Community Services	Clinical Services	Employment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2017
Salaries	$ 51,540,412	$ 30,094,058	$ 12,305,504	$ 1,114,031	$ 95,054,005	$ 10,187,053	$ 150,366	$ 10,337,419	$ 105,391,424
Payroll taxes and benefits (Note 12)	14,968,642	8,750,341	2,826,656	299,853	26,845,492	2,886,340	46,829	2,933,169	29,778,661
Total Personnel Costs	66,509,054	38,844,399	15,132,160	1,413,884	121,899,497	13,073,393	197,195	13,270,588	135,170,085
Contracted services	1,205,625	393,719	1,135,112	10,904	2,745,360	544,558	-	544,558	3,289,918
Professional fees	351,697	124,503	34,318	4,758	515,276	3,037,490	80,965	3,118,455	3,633,731
Program supplies	2,500,612	1,353,485	357,245	6,276	4,217,618	48,808	-	48,808	4,266,426
Food	1,754,925	200,839	962	194	1,956,920	-	29,107	29,107	1,986,027
Transportation (Note 8)	1,344,544	10,495,751	222,124	33,810	12,096,229	78,415	3,061	81,476	12,177,705
Office and equipment expense	829,949	334,227	215,598	11,757	1,391,531	541,349	48,955	590,304	1,981,835
Staff development and expenses	207,701	232,185	44,835	9,340	494,061	298,739	2,670	301,409	795,470
Occupancy (Note 8)	2,348,329	5,049,623	1,765,651	118,064	9,281,667	1,923,880	-	1,923,880	11,205,547
Utilities	1,261,355	536,879	342,260	29,541	2,170,035	267,390	-	267,390	2,437,425
Repairs and maintenance	1,727,812	712,926	153,028	13,751	2,607,517	840,925	1,858	842,783	3,450,300
Insurance	782,960	431,080	110,087	14,331	1,338,458	217,564	-	217,564	1,556,022
Telephone	582,794	310,254	112,212	27,101	1,032,361	504,828	-	504,828	1,537,189
Information technology	378,181	530,109	310,771	21,000	1,240,061	1,163,313	107,523	1,270,836	2,510,897
Depreciation and amortization (Notes 2H and 5)	2,643,074	425,759	856,126	8,607	3,933,566	405,799	57,067	462,866	4,396,432
Interest	1,055,160	144,645	5,790	-	1,205,595	514,476	-	514,476	1,720,071
Bad debts	672,555	1,400,762	200,745	18,390	2,292,452	-	-	-	2,292,452
Miscellaneous	32,132	7,779	7,802	184	47,897	77,932	9,469	87,401	135,298
TOTAL EXPENSES	$ 86,188,459	$ 61,528,924	$ 21,006,826	$ 1,741,892	$ 170,466,101	$ 23,538,859	$ 537,870	$ 24,076,729	$ 194,542,830

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

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YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,735,827	$ 857,062
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,345,011	4,396,432
Non-cash interest expense	222,386	244,334
Unrealized loss on short-term investments	32,665	29,049
Realized gain on short-term investments	(1,279)	(1,169)
Bad debts	514,853	2,292,452
Loss on disposal of property and equipment	-	4,725
Subtotal	6,849,463	7,822,885
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	33,311	724,958
Prepaid expenses and other assets	784,800	331,649
Other receivables	216,857	740,463
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(94,365)	1,122,457
Accrued salary	(188,986)	688,852
Accrued vacation	1,112,768	26,121
Accrued pension	(809,070)	708,980
Due to funding sources	(6,555,980)	2,190,485
Deferred rent	(261,196)	202,517
Other liabilities	(2,293,700)	1,206,430
Net Cash (Used in) Provided by Operating Activities	(1,206,098)	15,765,797
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,367,415)	(4,169,868)
Purchases of short-term investments	(10,778,138)	(1,335,172)
Proceeds from sale of short-term investments	12,373,753	279,000
Decrease in debt service reserve	13,742	448,120
Net Cash Used in Investing Activities	(2,758,058)	(4,777,920)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes and mortgages	3,921,982	1,689,000
Principal repayments of notes and mortgages	(5,298,542)	(7,511,607)
Principal repayments of capital lease obligations	(112,748)	(903,799)
Net Cash Used in Financing Activities	(1,489,308)	(6,726,406)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,453,464)	4,261,471
Cash and Cash Equivalents - Beginning of Year	20,490,066	16,228,595
CASH AND CASH EQUIVALENTS- END OF YEAR	$ 15,036,602	$ 20,490,066
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 1,348,626	$ 1,720,071

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

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Young Adult Institute, Inc. ("YAI") is organized under the Not-for-Profit Corporation Law of New York State and was incorporated in 1964. YAI has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. YAI has an equivalent exemption at the state and local levels.

YAI serves people of all ages with developmental and learning disabilities, from infants through the elderly, in a variety of community settings and at home through state-of-the-art programs that help to build skills, expand opportunities, and support community living. YAI's many programs and direct services benefit thousands of individuals and their families daily throughout the New York metropolitan area. YAI is funded primarily by Medicaid. YAI's has over 300 programs and direct services that benefit over 21,000 individuals and their families daily in ten counties throughout the New York metropolitan area. YAI is funded primarily by Medicaid.

YAI is part of a network of independent agencies, collectively known as the YAI Network. The network provides programs and support for people with intellectual and developmental disabilities throughout New York City, Westchester County, Rockland County, Long Island, New Jersey, and Puerto Rico. YAI is the sole corporate member of three of these agencies which have been included in the consolidated financial statements. Further descriptions follow:

- YAI is the sole corporate member of Premier Healthcare, Inc. (“PHC”). PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption at the state and local levels. PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include: primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, gynecology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC’s primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payors.

- YAI is the sole corporate member of the Rockland County Association for People with Disabilities (“RCAPD”). RCAPD has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. RCAPD has an equivalent exemption at the state and local levels. RCAPD provides a wide variety of employment, residential, family support and social/recreational programs which promote essential social and vocational skills that enable people with learning and other developmental disabilities to lead independent, productive and dignified lives. RCAPD provides extensive support and education to families and guidance and training to professionals who are assisting people with developmental and learning disabilities. RCAPD is funded primarily by service fees paid by various New York State agencies and government grants.

- YAI is the sole corporate member of the International Institute for People with Disabilities of Puerto Rico, Inc. (“IIPD-PR”), which was incorporated in 1998 under the Not-for-Profit Corporation Law of the Commonwealth of Puerto Rico. IIPD-PR has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has a similar exemption at the state and local levels. IIPD-PR’s mission is to create employment opportunities for people with disabilities. By providing competitive employment opportunities for persons with disabilities, IIPD-PR demonstrated a commitment to independence, community inclusion and productivity for people with special needs. IIPD-PR did not have any programmatic operations during fiscal year ending June 30, 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** The Agency’s consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Consolidation - The Agency's accompanying consolidated financial statements include the activities of: YAI; PHC; RCAPD and IIPD-PR. YAI has consolidated these entities pursuant to U.S. GAAP due to its financial interest and control over them. All material intercompany transactions and balances have been eliminated upon consolidation.

C. *Basis of Net Asset Presentation -* The Agency maintains its net assets under the following three classes:

Unrestricted - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of the Agency's operations over which the Board of Directors has discretionary control.

Temporarily Restricted - This represents net assets subject to donor-imposed stipulations that will be met by actions of the Agency or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently Restricted - This represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned for unrestricted or donor-specified purposes.

D. *Cash and Cash Equivalents -* The Agency considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents. Program participant funds included in cash and cash equivalents amounted to approximately $1,226,000 and $1,489,000, respectively, for the years ended June 30, 2018 and 2017. Such amounts are also included as a liability in the accompanying consolidated financial statements.

E. *Short-term Investments and Fair Value Measurements -* Short-term investments are carried at fair value. Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

F. *Allowance for Uncollectible Receivables -* The Agency determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience, and collections subsequent to year end. As of June 30, 2018 and 2017, the Agency determined an allowance of $2,203,462 and $2,103,290, respectively, for accounts receivable were necessary. In addition, the Agency has established an allowance for doubtful accounts for other receivables due from network agencies of $1,182,988 as of both June 30 ,2018 and 2017 representing nearly the entire balance due.

G. *Revenue Recognition -* The Agency records Medicaid revenue based on established rates multiplied by the number of units of service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Agency records a liability due to funding sources. Other revenue includes management programmatic services provided to other network agencies. Such revenue is recorded based on the support service agreement.

H. *Property and Equipment -* Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by the Agency provided its cost is $5,000 or more and its useful life is greater than one year.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *Contributions -* Unconditional contributions, including promises to give cash and other assets, are reported at their fair value on the date the contribution is received. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

J. *Functional Expenses -* The costs of providing program and supporting services of the Agency have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and general supporting services benefited. Included in management and general are costs associated with providing management services for other agencies which reimburse YAI for services provided.

K. *Prior Period Revenue -* There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in Medicaid revenue for the years ended June 30, 2018 and 2017 is an increase of $7,182,865 and $1,302,840, respectively, of prior year revenues relating to such adjustments.

L. *Deferred Rent -* The Agency leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, the Agency records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statements of financial position.

M. *Bond Issuance Costs -* Bond issuance costs consist of financing costs which are amortized over the life of the bond. The amortization is on the straight line method which does not differ materially from the effective interest rate method.

N. *Debt Service Reserves -* Under the terms of the Industrial Development Agency ("IDA"), and Dormitory Authority State of New York ("DASNY"), the Agency is required to deposit with the bond trustee an amount to be held in a debt service reserve fund, which will be utilized to satisfy the last payment required on the mortgage, or can be used prior to that point under the direction of IDA or DASNY to make any loan payments due by reason of default or other causes spelled out in the loan agreement. The debt service reserve is carried at market value in the accompanying consolidated statements of financial position.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30:

	2018	2017
Due from Medicaid	$ 19,244,669	$ 19,613,256
Due from the State of New York	6,297,129	6,275,293
Due from the City of New York	1,435,359	1,136,994
Due from other sources	1,456,610	1,842,659
	28,433,767	28,868,202
Less: allowance for doubtful accounts	(2,203,462)	(2,103,290)
	$ 26,230,305	$ 26,764,912

NOTE 4 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Short-term investments consist of the following as of June 30:

	2018	2017
Money market funds	$ 8,287,548	$ 17,833,528
Mutual funds	1,009,606	-
Corporate bonds	3,016,319	745,588
Government bonds	4,089,585	-
Blackstone alternative multi-strategy fund	549,057	-
	$ 16,952,115	$ 18,579,116

Investment activity consists of the following for the years ended June 30:

	2018	2017
Interest	$ 99,183	$ 128,977
Realized gain	1,279	1,169
Unrealized loss	(32,665)	(29,049)
	$ 67,797	$ 101,097

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

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

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs. The Agency has no level 3 investments.

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money markets and U.S. Treasury bills are valued using market prices in active markets (Level 1). Fair value of these investments are determined by management through the investment managers. Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets. Corporate bonds, U.S. Government bonds and Blackstone alternative multi-strategy fund are designated as Level 2 instruments and valuations are obtained from similar market or model derived valuations in which all significant inputs are observable or can be derived primarily from or corroborated with observable market data (credit risk/grade, maturities, etc.).

NOTE 4 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of June 30, 2018 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 8,287,548	$ -	$ 8,287,548
Mutual funds	1,009,606	-	1,009,606
Corporate bonds	-	3,016,319	3,016,319
Government bonds	-	4,089,585	4,089,585
Blackstone alternative multi-strategy fund	-	549,057	549,057
Total Short-Term Investments	9,347,154	7,604,961	16,952,115
Debt Service Reserve Fund:			
U.S. Treasury bills	2,651,718	-	2,651,718
	$ 11,998,872	$ 7,604,961	$ 19,603,833

Financial assets carried at fair value as of June 30, 2017 are classified in the table as follows:

	Level 1	Level 2	Total
Short-term Investments:			
Money market funds	$ 17,833,528	$ -	$ 17,833,528
Corporate bonds	-	745,588	745,588
Total Short-Term Investments	17,833,528	745,588	18,579,116
Debt Service Reserve Fund:			
U.S. Treasury bills	2,665,460	-	2,665,460
	$ 20,498,988	$ 745,588	$ 21,244,576

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2018	2017	Estimated Useful Lives
Land	$ 10,812,584	$ 10,522,584	
Buildings and building improvements	59,354,338	56,271,803	15-25 years
Leasehold improvements	25,595,251	25,460,977	5-25 years
Furniture and equipment	17,530,447	16,875,672	3-10 years
Construction in progress (see below)	3,571,544	3,365,713	
	116,864,164	112,496,749	
Less: accumulated depreciation	(79,159,344)	(74,814,333)	
	$ 37,704,820	$ 37,682,416	

Depreciation and amortization expenses amounted to $4,345,011 and $4,396,432 for the years ended June 30, 2018 and 2017. respectively. For the year ended June 30, 2017, fixed assets with a total cost of $939,532 and total accumulated depreciation of $934,807 were disposed. This resulted in a loss of $4,725 on disposal of property and equipment.

Construction in progress consists of construction at new locations and various renovations with a combined additional estimated cost to complete of approximately $7.2 million and estimated completion dates in fiscal years 2019 and 2020.

NOTE 6 – CAPITAL LEASE OBLIGATIONS

YAI has capital lease agreements to fund the purchase of buildings, building improvements and equipment through two issuances in 2001 and 2002.

The New York City Industrial Development Agency ("NYCIDA"), a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York, issued and sold revenue bonds (Special Needs Pooled Program) carrying interest rates ranging from 6.26% to 6.30% per annum payable in semi-annual installments with maturities in 2017. The proceeds of the loans were used to finance the purchase and renovation of various collateralized properties in New York. As part of the agreement with NYCIDA, YAI transferred the titles to all the facilities. NYCIDA has leased the facilities back to YAI for a term and at an amount concurrent with the bond repayment schedules. At the conclusion of the lease terms, YAI has the option to purchase each of the leased properties for $1.

The capital lease agreements require YAI to comply with certain terms and conditions. YAI was in compliance with all applicable financial covenants as of June 30, 2018 and 2017.

Pursuant to the capital lease agreement, the debt service reserve fund was established with a balance of $0 and $28,973 as of June 30, 2018 and 2017, respectively, and included in the consolidated statements of financial position under debt service reserves. In addition, YAI has capital leases for computer and electronic equipment with maturities in 2019. The expected payment for 2019 is $19,390.

NOTE 7 – NOTES AND MORTGAGES PAYABLE

	2018	2017
A. YAI has available an $18 million working capital line of credit with a bank carrying an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, which at June 30, 2018 was 4.23%. The loan is collateralized by YAI's accounts receivable and matures in December 2019. YAI is in the process of renewing the line of credit. The outstanding balance as of November 30, 2018 amounted to $7,842,911.	$ 7,842,911	$ 8,842,911
B. YAI has available an $8 million line of credit with a bank for the acquisition and renovation of program sites. Upon receipt of New York State prior property approvals, the funds drawn down on this line of credit are subsequently converted into notes. As of June 30, 2018, there were nine notes executed. The notes bear an interest rate of prime or 30-day LIBOR (at YAI's election) plus 2% per annum, resulting in a rate of between 4.21 and 4.23% at June 30, 2018. The notes are collateralized by related property and mature in December 2019. YAI is in the process of renewing the line of credit. The outstanding balance as of November 30, 2018 amounted to $6,188,350.	4,928,613	2,434,393
C. YAI has entered into various loan agreements with the Dormitory Authority of the State of New York. The loans carry interest rates ranging from 1.5% to 7.82% per annum, payable in semi-annual installments and have maturity dates ranging from August 2018 through July 2040. The loans are collateralized by YAI's underlying real property.	18,486,967	21,198,460
D. PHC has a $3 million revolving line of credit with a bank. The line has an interest rate equal to prime rate plus 0.50% per annum. The line of credit is guaranteed by YAI. The outstanding balance as of November 30, 2018 amounted to $1,282,330.	1,282,331	1,267,734

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 7 – NOTES AND MORTGAGES PAYABLE (Continued)

	2018	2017
E. RCAPD has a line of credit with a bank in the amount of $1 million that will expire in March 2019. The line of credit bears an interest rate at the lender's prime rate. The line of credit is guaranteed by YAI. The outstanding balance as of November 30, 2018 amounted to $636,359.	$ 650,870	$ 609,754
F. RCAPD financed the purchase and renovation of certain properties through the issuance of Civic Facility Revenue Bonds Series 2006J by the County of Rockland Industrial Development Agency (Special Needs Facilities Pooled Program) carrying average interest rates of: 4.75%, 4.74%, 4.78% and 4.75% per annum maturing in July 2020. The proceeds of the loan were used to finance the purchase and renovation of collateralized properties located in Rockland County, New York.	765,001	980,001
	33,956,693	35,333,253
Less unamortized debt issuance costs	(1,245,662)	(1,468,048)
Notes and mortgages payable, net	$ 32,711,031	$ 33,865,205

Most of the loans have provisions for loan covenants. The Agency was in compliance with these covenants as of and during the years ended June 30, 2018 and 2017.

Required future annual principal payments are payable as follows for the years ending June 30:

2019	$ 3,448,891
2020	16,905,790
2021	1,761,820
2022	1,686,878
2023	2,258,641
Thereafter	7,894,673
	$ 33,956,693

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Agency has a number of operating lease agreements. Annual future minimum rentals payable for real and personal property principally under long-term noncancellable operating leases expiring at varying dates through 2038 follows:

	Real Property	Vehicles and Equipment	Total
2019	$ 8,376,755	$ 1,120,914	$ 9,497,669
2020	6,803,572	808,834	7,612,406
2021	4,871,105	449,271	5,320,376
2022	4,800,316	57,254	4,857,570
2023	4,711,331	-	4,711,331
Thereafter	18,042,088	-	18,042,088
	$ 47,605,167	$ 2,436,273	$ 50,041,440

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Rent expense (shown as occupancy and transportation in the accompanying consolidated statements of functional expenses) amounted to the following for the years ended June 30:

	2018	2017
Real property	$ 9,732,662	$ 9,896,347
Vehicles and equipment	938,977	1,149,422
	$ 10,671,639	$ 11,045,769

B. The Agency believes it has no uncertain tax positions as of June 30, 2018 and 2017 in accordance with Accounting Standard Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

C. The Agency receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. The Agency, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates. As of June 30, 2018 and 2017, due to funding source represents overpayments from the 2012-2018 fiscal years for the Agency's programs. Such amounts are expected to be recouped by the funding sources.

D. The Agency is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of the Agency.

E. In 2013, a former senior management employee and his spouse (collectively, "Plaintiffs") filed a complaint against YAI and the trustees of the Supplemental Pension Plan and Trust for Certain Management Employees of YAI (the "SERP"). On June 1, 2017, the District Court entered a Judgment providing a lump sum of about $3.4 million for past-due payments under the SERP, and a monthly lifetime benefit with survivor benefit to his spouse of approximately $44,000, a survivor benefit to his spouse in, and benefit under the Life Insurance Plan and Trust ("LIPT") of about $3.2 million. Plaintiffs also submitted a motion for an award of over $3.2 million in attorney's fees and $330,000 in costs.

YAI appealed the District Court's June 1, 2017 judgment to the United States Court of Appeals for the Second Circuit. As part of the appeal process, YAI obtained a letter of credit from a bank for the amount of approximately $1.8 million. On August 9, 2018, the Second Circuit affirmed the District Court's decision. Following the appellate loss, YAI filed a motion for rehearing en banc, which was denied on October 4, 2018. On October 23, 2018, YAI successfully obtained a stay of the mandate from the Second Circuit. As such, Plaintiffs were barred from collecting on the judgment against YAI until the United States Supreme Court issues final disposition. In response, Plaintiffs filed a motion for reconsideration, and to enlarge the amount required for YAI to post in the bond, which was rejected by the Second Circuit on November 15, 2018.

The next step is for YAI to file a petition for a writ of certiorari to the United States Supreme Court. If the Supreme Court declines to hear the case, the parties may hear by early February of 2019, and the decision of the Second Circuit will therefore remain intact. If the Supreme Court grants certiorari (thus agreeing to hear the case), then the case will continue for many months.

Management has taken the position that due to the uncertainty of the outcome and YAI's intent to appeal the Second Circuit's decision to the Supreme Court, as of June 30, 2018, no liability should be recorded related to this matter. Once all appeals have been exhausted, YAI's ultimate financial liability shall be limited to the difference, if any, between the final judgment and the then available funds in the SERP and LIPT.

NOTE 9 –TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018 and 2017, temporarily restricted net assets consist of $752,194 and $700,606 restricted to programs including the Community of Learners and Linking Individuals to Necessary Knowledge ("LINK") program.

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of a $10,000 permanently restricted endowment fund maintained by RCAPD for each of the years ended June 30, 2018 and 2017.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (referred as "underwater"). When underwater endowment funds exist, the amount that is below the initial value is classified as a reduction of unrestricted net assets. As of June 30, 2018, and 2017, there were no underwater funds.

NOTE 11 – CONCENTRATION

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to $250,000 per depositor. As of June 30, 2018 and 2017, there was approximately $15 and $19 million of cash and cash equivalents and $13 and $17 million, respectively, of short-term investments held by one bank that exceeded FDIC limits.

NOTE 12 – RETIREMENT PLANS

On July 1, 2015, the Agency adopted the YAI Network Affiliates 401(a) Plan. Employees are eligible to participate in the plan upon completion of one year of service after July 1, 2015 and when the employee worked at least 1,000 hours. Contributions to this plan are based on amounts determined in accordance with the Internal Revenue Service Code Section 415. The liability for the Agency amounted to approximately $2,205,000 and $3,014,000 as of June 30, 2018 and 2017, respectively. The expense for the Agency amounted to $2,185,000 and $2,555,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 13 – DUE TO MEDICAID

As required by statute, the New York State Department of Health ("DOH") has begun transitioning Medicaid payments to diagnostic and treatment centers licensed under Article 28 of the New York Public Health Law ("D&TCs") to the Ambulatory Patient Group ("APG") payment methodology. On February 25, 2013, PHC along with other D&TCs, received notice from DOH that the capital component of PHC's Medicaid payment rate for the period September 1, 2009 through December 31, 2012 had been retroactively rebased, purportedly in accordance with annual D&TC cost reports submitted by PHC for successive years. In the same notice, DOH advised PHC that it intended to commence a take-back equal to 15 percent of PHC's Medicaid remittances to recoup payments received during that period in excess of PHC's recalculated rate. During 2017, DOH agreed to reduce the amount due resulting in a decrease of the liability of approximately $4.1 million. The amount outstanding as of June 30 2018 and 2017 was $2,012,236 and $6,202,261, respectively.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition or disclosure, events subsequent to the date of the statement of financial position through November 30, 2018, the date the consolidated financial statements were issued.

In August 2018, YAI was issued Interagency Council Pooled Loan Program Series 2018 A-1 & A-2 bonds by the DASNY for par value of approximately $2.25 million. The bonds are used for 134-19 157th Street and 186 Southaven Avenue.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2018

	YAI	RCAPD	PHC	IIPD-PR	Consolidating Eliminations	Total 2018
ASSETS						
Cash and cash equivalents	$ 14,315,782	$ 251,675	$ 466,442	$ 2,703	$ -	$ 15,036,602
Short-term Investments	16,952,115	-	-	-	-	16,952,115
Accounts receivable, net	23,330,764	872,575	2,013,409	-	-	26,216,748
Other receivables, net	1,376,552	-	-	-	(596,199)	780,353
Prepaid expenses and other assets	3,178,158	112,610	405,199	8,715	-	3,704,682
Property and equipment, net	35,493,589	1,340,065	871,166	-	-	37,704,820
Debt service reserve	2,343,359	308,359	-	-	-	2,651,718
TOTAL ASSETS	$ 96,990,319	$ 2,885,284	$ 3,756,216	$ 11,418	$ (596,199)	$ 103,047,038
LIABILITIES						
Accounts payable and accrued expenses	8,312,138	$ 365,577	$ 539,526	$ 450	$ -	$ 9,217,691
Accrued salary	5,656,747	165,632	405,147	-	-	6,227,526
Accrued vacation	3,732,071	114,047	332,420	-	-	4,178,538
Accrued pension	2,075,344	45,924	84,043	-	-	2,205,311
Other liabilities	1,525,022	-	-	-	-	1,525,022
Due to funding sources	7,817,420	140,401	2,012,236	-	-	9,970,057
Notes and mortgages payable	30,064,363	1,364,337	1,282,331	-	-	32,711,031
Capital lease obligations	19,389	-	-	-	-	19,389
Due to related party	-	167,053	6,269,324	603,410	(7,039,787)	-
Deferred rent	3,343,212	32,112	135,892	-	-	3,511,216
TOTAL LIABILITIES	62,545,706	2,395,083	11,060,919	603,860	(7,039,787)	69,565,781
COMMITMENTS AND CONTINGENCIES						
NET ASSETS (DEFICIT)						
Unrestricted						
Invested in property and equipment	15,596,102	934,957	871,166	-	-	17,402,225
Available for operations	18,096,317	(454,756)	(8,175,869)	(592,442)	6,443,588	15,316,838
Total Unrestricted	33,692,419	480,201	(7,304,703)	(592,442)	6,443,588	32,719,063
Temporarily restricted	752,194	-	-	-	-	752,194
Permanently restricted	-	10,000	-	-	-	10,000
TOTAL NET ASSETS	34,444,613	490,201	(7,304,703)	(592,442)	6,443,588	33,481,257
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 96,990,319	$ 2,885,284	$ 3,756,216	$ 11,418	$ (596,199)	$ 103,047,038

See independent auditors' report.

YOUNG ADULT INSTITUTE, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Young Adult Institute, Inc.			Rockland County Association for People with Disabilities			Premier Healthcare, Inc.		International Institute for People with Disabilities of Puerto Rico, Inc.			Consolidated Total			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Permanently Restricted	Total	Unrestricted	Total	Unrestricted	Total	Consolidating Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018
REVENUE AND SUPPORT															
Medicaid	$145,726,224	$ -	$145,726,224	4,628,222	$ -	$ 4,628,222	16,938,972	$ 16,938,972	$ -	$ -	$ -	$167,293,418	$ -	$ -	$167,293,418
Government Contracts	19,186,176	-	19,186,176	1,408,208	-	1,408,208	-	-	-	-	-	20,594,384	-	-	20,594,384
Medicare and Client fees	7,833,767	-	7,833,767	480,859	-	480,859	2,136,488	2,136,488	-	-	-	10,451,114	-	-	10,451,114
Other Revenues	3,905,051	-	3,905,051	-	-	-	12,339	12,339	-	-	(2,167,251)	1,750,139	-	-	1,750,139
Contributions	712,592	505,168	1,217,760	20,498	-	20,498	2,591	2,591	-	-	-	735,681	505,168	-	1,240,849
Special Events (net of direct costs of $354,100 and $280,751 for 2018 and 2017)	186,048	106,690	292,738	8,137	-	8,137	-	-	-	-	-	194,185	106,690.00	-	300,875
Investment Activity	67,126	-	67,126	799	-	799	1,872	1,872	-	-	-	69,797	-	-	69,797
Net Assets Released from Restrictions	560,270	(560,270)	-	-	-	-	-	-	-	-	-	560,270.00	(560,270.00)	-	-
TOTAL REVENUE AND SUPPORT	178,177,254	51,588	178,228,842	6,546,723	-	6,546,723	19,092,262	19,092,262	-	-	(2,167,251)	201,648,988	51,588	-	201,700,576
EXPENSES:															
Program Services:															
Residential Services	85,583,868	-	85,583,868	4,247,117	-	4,247,117	-	-	-	-		89,830,985	-	-	89,830,985
Day and Community Services	61,729,499	-	61,729,499	728,102	-	728,102	-	-	-	-	-	62,457,601	-	-	62,457,601
Clinical Services	7,335,343	-	7,335,343	-	-	-	14,219,281	14,219,281	-	-	-	21,554,624	-	-	21,554,624
Employment Initative Services	1,106,237	-	1,106,237	815,712	-	815,712	-	-	-	-	-	1,921,949	-	-	1,921,949
Total Program Services	155,754,947	-	155,754,947	5,790,931	-	5,790,931	14,219,281	14,219,281	-	-	-	175,765,159	-	-	175,765,159
Supporting Services:															
Management and General	21,861,513	-	21,861,513	1,242,054	-	1,242,054	2,658,605	2,658,605	4,065	4,065	(2,167,251)	23,598,986	-	-	23,598,986
Fundraising	600,604	-	600,604	-	-	-	-	-	-	-	-	600,604	-	-	600,604
Total Supporting Services	22,462,117	-	22,462,117	1,242,054	-	1,242,054	2,658,605	2,658,605	4,065	4,065	(2,167,251)	24,199,590	-	-	24,199,590
TOTAL EXPENSES	178,217,064	-	178,217,064	7,032,985	-	7,032,985	16,877,886	16,877,886	4,065	4,065	(2,167,251)	199,964,749	-	-	199,964,749
CHANGE IN NET ASSETS	(39,810)	51,588	11,778	(486,262)	-	(486,262)	2,214,376	2,214,376	(4,065)	(4,065)	-	1,684,239	51,588	-	1,735,827
Net Assets - Beginning of Year	33,732,229	700,606	34,432,835	966,463	10,000	976,463	(9,519,079)	(9,519,079)	(588,377)	(588,377)	6,443,588	31,034,824	700,606	10,000	31,745,430
NET ASSETS - END OF YEAR	$ 33,692,419	$ 752,194	$ 34,444,613	$ 480,201	$ 10,000	$ 490,201	$ (7,304,703)	$ (7,304,703)	$ (592,442)	$ (592,442)	$ 6,443,588	$ 32,719,063	$ 752,194	$ 10,000	$ 33,481,257

See independent auditors' report.

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APPENDIX C

UNAUDITED FINANCIAL STATEMENTS OF SERIES 2021 PARTICIPANTS

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APPENDIX C-I

CITIZENS OPTIONS UNLIMITED, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF FEBRUARY 28, 2021)

AND

COMMUNITY SERVICES SUPPORT CORPORATION

UNAUDITED FINANCIAL INFORMATION

(AS OF FEBRUARY 28, 2021)

AND

NASSAU COUNTY AHRC FOUNDATION, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF FEBRUARY 28, 2021)

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CITIZENS OPTIONS UNLIMITED, INC.

FINANCIAL STATEMENTS (Unaudited)

FOR TWO MONTHS ENDED
FEBRAURY 28, 2021

Citizens Options Unlimited, Inc.

Statements of Financial Position

		Febraruy 28, 2021		December 31, 2020
		(Unaudited)		(Unaudited)
Assets				
Current:				
Cash and cash equivalents	**$**	**3,346,182**	$	4,213,107
Investments, at fair value		**62,116**		62,056
Accounts receivable, net		**8,997,416**		9,053,145
Prepaid expenses and other assets		**370,788**		400,332
Total Current Assets		**12,776,502**		13,728,640
Right to Use assets		**6,873,651**		6,873,651
Assets held for specific purpose		**87,131**		87,131
Deferred Charges		**69,201**		69,201
Fixed Assets, net		**3,978,780**		4,018,136
Total Assets	**$**	**23,785,265**	$	24,776,759
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	**$**	**1,640,694**	$	3,080,512
Salaries payable		**1,803,930**		1,675,053
Accrued payroll taxes and benefits		**2,450,041**		1,836,450
Deferred Employer Social Security Tax		**1,101,595**		1,031,238
Finance lease liability, current portion		**900,000**		900,000
Due to non-controlled affiliated organizations		**520,241**		285,291
Total Current Liabilities		**8,416,501**		**8,808,544**
Due to New York State OPWDD		**2,231,229**		2,216,408
Deferred Compensation Payable		**87,131**		87,131
Finance Lease Liability		**5,731,009**		5,875,897
Reserve for potential liabilities		**4,276,616**		4,196,810
Total Liabilities		**20,742,486**		**21,184,790**
Net Assets (Deficit):				
Without donor restrictions		**2,454,599**		3,013,929
With donor restrictions		**588,180**		578,040
Total Net Assets		**3,042,779**		3,591,969
Total Liabilities and Net Assets	**$**	**23,785,265**	$	24,776,759

CITIZENS OPTIONS UNLIMITED, INC.

STATEMENT OF ACTIVITIES

FOR THE TWO MONTHS ENDED FEBRAURY 28, 2021

	ICF	Residential Citizens	Camp Loyaltown	Self Direction	Crisis Respite	Family Support	Admin	Total	Budget	Variance
REVENUE										
PROGRAM INCOME	$ 5,269,184	$ 2,883,474	$ 47,892	$ 213,884	$ 96,339	$ 18,018		$ 8,528,791	$ 8,608,578	$ (79,787)
OTHER INCOME		25,900			1,050		526	27,476	17,150	10,326
PRIOR YEAR INCOME								-	-	-
TOTAL REVENUE	5,269,184	2,909,374	47,892	213,884	97,389	18,018	526	8,556,267	8,625,728	(69,461)
EXPENSES										
SALARIES	2,823,751	1,606,599	49,565	112,055	94,644			4,686,614	4,832,143	(145,529)
FRINGE BENEFITS	1,109,633	631,245	22,318	42,248	37,276			1,842,720	1,635,647	207,073
PROFESSIONAL FEES	7,243	3,754	284	301	161			11,743	25,196	(13,453)
CONTRACT SERVICES	215,534	101,913	4,453	24,606	9,594			356,100	319,891	36,209
TELEPHONE & UTILITIES	86,209	44,614	5,358	3,705	1,814	66		141,766	118,384	23,382
TRANSPORTATION	7,601	13,008	2,190	25	211			23,035	26,879	(3,844)
STAFF TRAVEL	466	980	1	1	48			1,496	2,245	(749)
REPAIRS AND MAINTENANCE	144,800	51,299	2,600	3,850	644	782		203,975	170,145	33,830
SUPPLIES & INCIDENTALS	173,239	53,728	124	9,372	1,600			238,063	251,414	(13,351)
FOOD	32,491	40,010						72,501	97,905	(25,404)
RENTAL & LEASE EXPENSE	72,712	84,277	49,818	57,671	943			265,421	273,533	(8,112)
RECRUITING & STAFF DEVELOPMENT	19,593	4,279	174	5,221	195			29,462	30,186	(724)
FEES, ASSESSMENTS & OTHER	326,821	1,097	811	35	29	7,025		335,818	345,912	(10,094)
INSURANCE	84,943	47,485	4,501	3,711	1,977			142,617	147,517	(4,900)
INTEREST	4,179	32,741	365	516	5,518	16	-	43,335	50,017	(6,682)
RESERVE FOR CONTINGENCIES	12,256	6,418	505	535	285			19,999	21,796	(1,797)
TOTAL	5,121,471	2,723,447	143,067	263,852	154,939	7,889	-	8,414,665	8,348,810	65,855
DEPRECIATION	32,904	15,918	22,008	22	2,254			73,106	140,493	(67,387)
MANAGEMENT FEE	337,281	179,153	10,114	17,391	10,384		-	554,323	544,219	10,104
TOTAL OTHER EXPENSE	370,185	195,071	32,122	17,413	12,638	-	-	627,429	684,712	(57,283)
TOTAL EXPENSES	5,491,656	2,918,518	175,189	281,265	167,577	7,889	-	9,042,094	9,033,522	8,572
SURPLUS (LOSS) FROM OPERATONS BEFORE PROVISION FOR POTENTAIL LIABILITIES	(222,472)	(9,144)	(127,297)	(67,381)	(70,188)	10,129	526	(485,827)	(407,794)	(78,033)
PROVISION FOR POTENTIAL LIABIITIES	(52,497)	(26,522)			(787)			(79,806)	(82,250)	2,444
SURPLUS (DEFICIT) AFTER RESERVE	(274,969)	(35,666)	(127,297)	(67,381)	(70,975)	10,129	526	(565,633)	(490,044)	(75,589)
CONTRIBUTION INCOME	125	1,000	9,015				6,303	16,443	28,336	(11,893)
NET SURPLUS/(DEFICIT)	$ (274,844)	$ (34,666)	$ (118,282)	$ (67,381)	$ (70,975)	$ 10,129	$ 6,829	$ (549,190)	$ (461,708)	$ (87,482)

CITIZENS OPTIONS UNLIMITED, INC.

STATEMENT OF ACTIVITIES

FOR THE MONTH ENDED FEBRUARY 28, 2021

	ICF	Residential Citizens	Camp Loyaltown	Self Direction	Crisis Respite	Family Support	Admin	Total	Budget	Variance
REVENUE										
PROGRAM INCOME	$ 2,500,622	$ 1,449,464	$ 27,346	83,367	$ 53,267	$ 4,884		$ 4,118,950	$ 4,186,429	$ (67,479)
OTHER INCOME		12,742			234		110	13,086	11,436	1,650
PRIOR YEAR INCOME								-		-
TOTAL REVENUE	2,500,622	1,462,206	27,346	83,367	53,501	4,884	110	4,132,036	4,197,865	(65,829)
EXPENSES										
SALARIES	1,297,357	729,770	22,894	49,655	42,463			2,142,139	2,298,903	(156,764)
FRINGE BENEFITS	605,923	341,892	13,516	21,712	20,056			1,003,099	799,728	203,371
PROFESSIONAL FEES	3,304	1,605	126	134	71			5,240	14,571	(9,331)
CONTRACT SERVICES	121,233	58,920	3,221	14,142	5,682			203,198	173,571	29,627
TELEPHONE & UTILITIES	40,351	21,039	2,748	1,461	894			66,493	45,588	20,905
TRANSPORTATION	2,305	6,405	719		118			9,547	13,845	(4,298)
STAFF TRAVEL	108	359	1	1	17			486	1,265	(779)
REPAIRS AND MAINTENANCE	69,896	26,796	1,496	2,065	425	324		101,002	67,862	33,140
SUPPLIES & INCIDENTALS	92,865	22,469	19	2,728	597			118,678	139,825	(21,147)
FOOD	10,999	22,231						33,230	60,243	(27,013)
RENTAL & LEASE EXPENSE	35,370	40,531	21,441	27,241	427			125,010	139,035	(14,025)
RECRUITING & STAFF DEVELOPMENT	8,152	1,106	87	1,167	49			10,561	15,413	(4,852)
FEES, ASSESSMENTS & OTHER	153,468	437	621	3	7	2,915		157,451	178,998	(21,547)
INSURANCE	42,472	24,242	2,751	1,855	988			72,308	79,156	(6,848)
INTEREST	2,089	16,370	182	258	2,759	8	-	21,666	28,360	(6,694)
RESERVE FOR CONTINGENCIES	6,128	3,209	253	268	143			10,001	12,098	(2,097)
TOTAL	2,492,020	1,317,381	70,075	122,690	74,696	3,247	-	4,080,109	4,068,461	11,648
DEPRECIATION	16,204	7,821	10,994	-	1,121			36,140	136,165	(100,025)
MANAGEMENT FEE	168,854	90,638	3,587	9,070	5,097			277,246	269,306	7,940
TOTAL OTHER EXPENSE	185,058	98,459	14,581	9,070	6,218	-	-	313,386	405,471	(92,085)
TOTAL EXPENSES	2,677,078	1,415,840	84,656	131,760	80,914	3,247	-	4,393,495	4,473,932	(80,437)
SURPLUS (DEFICIT) BEFORE RESERVE	(176,456)	46,366	(57,310)	(48,393)	(27,413)	1,637	110	(261,459)	(276,067)	14,608
PROVISION FOR POTENTIAL LIABIITIES	(24,789)	(13,337)			(448)			(38,574)	(41,150)	2,576
SURPLUS (DEFICIT) AFTER RESERVE	(201,245)	33,029	(57,310)	(48,393)	(27,861)	1,637	110	(300,033)	(317,217)	17,184
CONTRIBUTION INCOME			1,845				3,376	5,221	21,168	(15,947)
NET SURPLUS/(DEFICIT)	$ (201,245)	$ 33,029	$ (55,465)	$ (48,393)	$ (27,861)	$ 1,637	$ 3,486	$ (294,812)	$ (296,049)	$ 1,237

CITIZENS OPTIONS UNLIMITED, INC.

Statement of Cash Flows		
For the two monthS ended February 28,		**2021**
Cash Flows from Operating Activities:		
Changes in net assets	$	**(549,190)**
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization		**73,106**
Decresase in right to use leased assets		**-**
Realized gain or loss on investments		**(60)**
Decrease (increase) in operating assets:		
Accounts receivable		**55,729**
Prepaid expenses and other current assets		**29,544**
Deferred revenue		**-**
Assets held for specific purpose		**-**
Decrease in operating liabilities:		
Accounts payable and accrued expenses		**(1,439,818)**
Salaries payable		**128,877**
Accrued payroll taxes and benefits		**613,591**
Deferred Emploer Social Security Tax		**70,357**
Reserve for potential liabilities		**79,806**
Due to non-controlled affiliated organizations		**234,950**
Due to New York State OPWDD		**14,821**
Net Cash (Used in) Operating Activities		**(688,287)**
Cash Flows from Investing Activities:		
Land, buildings and improvements		**(33,750)**
Net Cash Used in Investing Activities		**(33,750)**
Cash Flows from Financing Activities:		
Repayment of Finance Lease liabilities		**(144,888)**
Payments from assets held for specific purpose		**-**
Net Cash Used in Financing Activities		**(144,888)**
(Decrease) Increase in Cash and Cash Equivalents		**(866,925)**
Cash and Cash Equivalents, beginning of year		**4,213,107**
Cash and Cash Equivalents, end of year	**$**	**3,346,182**
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$**	**43,335**
Supplemental Disclosure of Non-cash Activities:		
None	**$**	**-**

CITIZENS OPTIONS UNLIMITED, INC.

FINANCIAL STATEMENTS (Unaudited)
PRO FORMA

FOR THE YEAR ENDED
DECEMBER 31, 2020

Citizens Options Unlimited, Inc.

Statements of Financial Position

		December 31, 2020		Pro Forma Adjs.		Adjusted Total
		[Unaudited]		[1]		
Assets						
Current:						
Cash and cash equivalents	$	4,036,741	$	3,198,159	$	7,234,900
Investments, at fair value		62,056				62,056
Accounts receivable, net		8,959,354		883,412		9,842,766
Prepaid expenses and other assets		400,332				400,332
Total Current Assets		13,458,483		4,081,571		17,540,054
Right to Use assets		6,873,652				6,873,652
Assets held for specific purpose		87,131				87,131
Deferred Charges		69,201				69,201
Fixed Assets, net		4,012,035				4,012,035
Total Assets	$	24,500,502	$	4,081,571	$	28,582,073
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	$	2,875,700	$	291,761		3,167,461
Salaries payable		1,675,053				1,675,053
Accrued payroll taxes and benefits		1,838,231				1,838,231
Deferred Employer Social Security Tax		854,822		(854,822)		-
Finance lease liability, current portion		900,000				900,000
Due to non-controlled affiliated organizations		278,770				278,770
Total Current Liabilities		8,422,576		(563,061)		7,859,515
Due to New York State OPWDD		2,216,408				2,216,408
Deferred Compensation Payable		87,131				87,131
Finance Lease Liability		6,775,897				6,775,897
Reserve for potential liabilities		3,287,253				3,287,253
Total Liabilities		20,789,265		(563,061)		20,226,204
Net Assets (Deficit):						
Without donor restrictions		3,133,197				
With donor restrictions		578,040				
Total Net Assets		3,711,237		4,644,632		8,355,869
Total Liabilities and Net Assets	$	24,500,502	$	4,081,571	$	28,582,073

[1] - Non-recurring effect on financial position due to lost revenue, incremental expense incurred and expense not incurr

CITIZENS OPTIONS UNLIMITED, INC.

CONDENSED PRO FORMA STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Total	Less: Non-Recurring Lost Revenue/ Expense Incurred Expense (Saved) COVID-19		Adjusted Total	Original Budget	Variance
TOTAL REVENUE	$ 54,341,469	$ (7,379,800)	[1]	$ 61,721,269	$ 61,487,103	$ 234,166
EXPENSES						
SALARIES	32,023,395	1,781,700	[2]	30,241,695	31,565,296	(1,323,601)
FRINGE BENEFITS	9,765,282	278,300	[3]	9,486,982	10,025,070	(538,088)
ALL OTHER	18,984,645	(2,917,612)	[4]	21,902,257	19,574,327	2,327,930
TOTAL EXPENSES	60,773,322	(857,612)	-	61,630,934	61,164,693	466,241
OPERATING SURPLUS (DEFICIT)	(6,431,853)	(6,522,188)		90,335	322,410	(232,075)
CONTRIBUTION INCOME	1,983,636	1,877,556	[5]	106,080	210,000	(103,920)
NET SURPLUS/(DEFICIT)	$ (4,448,217)	$ (4,644,632)		$ 196,415	$ 532,410	$ (335,995)

[1] - Lost revenue consists of:	
ICF excess vacancies	$ (3,204,478)
Camp program revenue	(5,198,322)
Community Habilitation residential services	1,023,000
Total	$ (7,379,800)
[2] - COVID related salary expense consists of:	
Premium hazard pay	$ 1,473,800
Excess overtime	307,900
	$ 1,781,700
[3] - COVID related fringe expense on above	278,300
[4] - Expense under budget consists primarily of:	
Camp program expense - program closed	$ (3,279,160)
PPE	287,750
Other misc.	73,798
Total	$ (2,917,612)
[5] - HHS funds received	$ 1,877,556

CITIZENS OPTIONS UNLIMITED, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	ICF	Residential Citizens	Camp Loyaltown	Self Direction	Crisis Respite	Family Support	Admin	Total
REVENUE								
PROGRAM INCOME	$ 34,541,221	$ 17,463,055	$ 446,317	$ 1,289,020	$ 343,560	$ 101,810		$ 54,184,983
OTHER INCOME	3,758	91,544	672		105	45	$ 10,362	106,486
PROVISION FOR RATE ADJUSTMENT								-
PRIOR YEAR INCOME	50,000							50,000
RRR (RESIDENTIAL RESERVE) INCOME								-
TOTAL REVENUE	34,594,979	17,554,599	446,989	1,289,020	343,665	101,855	10,362	54,341,469
EXPENSES								
SALARIES	21,221,353	9,061,107	610,422	536,504	522,446	71,563		32,023,395
FRINGE BENEFITS	6,474,391	2,764,055	188,460	157,485	159,002	21,889		9,765,282
PROFESSIONAL FEES	124,362	40,508	13,276	17,918	1,884	814		198,762
CONTRACT SERVICES	2,474,723	778,918	99,924	96,537	57,096	22,645		3,529,843
TELEPHONE & UTILITIES	324,889	178,751	85,811	21,360	12,336	1,640		624,787
TRANSPORTATION	83,680	56,084	5,200	15,493	2,869	2		163,328
STAFF TRAVEL	7,991	4,003	2,186	219	233			14,632
REPAIRS AND MAINTENANCE	784,718	326,082	57,601	19,060	14,086	7,536		1,209,083
SUPPLIES & INCIDENTALS	1,327,499	461,204	24,692	67,028	30,112	7,666		1,918,201
FOOD	428,833	337,316	2,258	105	16,894	75		785,481
RENTAL & LEASE EXPENSE	471,967	480,905	336,349	336,135	3,261	4,898		1,633,515
RECRUITING & STAFF DEVELOPMENT	106,120	51,449	26,008	15,238	2,447	686		201,948
FEES, ASSESSMENTS & OTHER	2,124,312	50,943	10,941	1,626	2,537	50,394		2,240,753
INSURANCE	518,504	236,631	71,623	14,067	11,339	4,472		856,636
INTEREST	37,502	226,187	3,350	3,411	34,630	141	-	305,221
RESERVE FOR CONTINGENCIES	91,698	36,520	12,067	2,130	1,709	739		144,863
TOTAL	36,602,542	15,090,663	1,550,168	1,304,316	872,881	195,160	-	55,615,730
DEPRECIATION	517,140	684,827	147,755	7,996	56,874	655		1,415,247
MANAGEMENT FEE	2,132,508	887,766	98,513	62,728	51,939	11,824		3,245,278
QA & REG AFFAIRS ALLOCATION								-
TOTAL OTHER EXPENSE	2,649,648	1,572,593	246,268	70,724	108,813	12,479	-	4,660,525
TOTAL EXPENSES	39,252,190	16,663,256	1,796,436	1,375,040	981,694	207,639	-	60,276,255
SURPLUS (DEFICIT) BEFORE RESERVE	(4,657,211)	891,343	(1,349,447)	(86,020)	(638,029)	(105,784)	10,362	(5,934,786)
PROVISION FOR POTENTIAL LIABILITIES	(339,994)	(154,465)			(2,608)			(497,067)
SURPLUS (DEFICIT) AFTER RESERVE	(4,997,205)	736,878	(1,349,447)	(86,020)	(640,637)	(105,784)	10,362	(6,431,853)
CONTRIBUTION INCOME	6,561	37,529	42,703	5	2	10,101	1,886,735	1,983,636
NET SURPLUS/(DEFICIT)	$ (4,990,644)	$ 774,407	$ (1,306,744)	$ (86,015)	$ (640,635)	$ (95,683)	$ 1,897,097	$ (4,448,217)

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COMMUNITY SERVICES SUPPORT CORPORATION
("CSSC")

FINANCIAL STATEMENTS
[Unaudited]
February 28, 2021

COMMUNITY SERVICES SUPPORT CORPORATION

Statements of Financial Position

		February 28, 2021 Unaudited		December 31, 2020 Unaudited
Assets				
Current Assets:				
Cash and cash equivalents	$	411,870	$	318,017
Investments		1,331,572		1,337,119
Prepaid expenses and other current assets		3,668		12,668
Receivable from other organizations, current portion		303,640		303,640
Sales-type lease receivable, current portion		2,836,602		2,836,602
Total Current Assets		4,887,352		4,808,046
Receivable from other organizations		2,565,521		2,616,128
Assets held for specific purpose		358,219		358,219
Sales-type lease receivable, net of current portion		11,908,819		12,380,094
Fixed Assets, Net		6,439,530		6,217,461
Total Assets	$	26,159,441	$	26,379,948
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	$	223,312	$	51,066
Bank lines of credit		4,610,809		4,565,903
Mortgages payable, current portion		116,715		119,300
Bonds payable, current portion		3,619,333		3,944,833
Total Current Liabilities		8,570,169		8,681,102
Subvention Loan Payable		1,441,102		1,041,102
Mortgages payable, net of current portion		295,552		334,371
Bonds payable, net of current portion and deferred financi		12,487,368		12,895,050
Deferred Revenue		73,678		88,414
Total Liabilities		22,867,869		23,040,039
Net Assets:				
Unrestricted		3,291,572		3,339,909
Total Liabilities and Net Assets	$	26,159,441	$	26,379,948
		-		-

See notes to financial statements.

COMMUNITY SERVICES
SUPPORT CORPORATION

Statements of Activities and Changes in Net Assets

For the Two Months ended February 28,		**2021**
Revenues		
Rental income	$	14,736
Right-of-Use Lease Interest income		104,213
Investment income		(5,545)
Total Revenue		113,404
Expenses		
Program services - rental activities:		
Interest		122,078
Total Program Services		122,078
Supporting services:		
Management fee		25,000
Professional services		14,663
Total Supporting Services		39,663
Total Expenses		161,741
Changes in Net Assets		(48,337)
Net Assets, beginning of year		3,339,909
Net Assets, end of year	$	3,291,572

See notes to financial statements.

COMMUNITY SERVICES SUPPORT CORPORATION
("CSSC")

FINANCIAL STATEMENTS
[Unaudited]
December 31, 2020

COMMUNITY SERVICES
SUPPORT CORPORATION

Statements of Financial Position

December 31,		**2020**
Assets		
Current Assets:		
Cash and cash equivalents	$	318,017
Investments		1,337,119
Accounts receivable		-
Prepaid expenses and other current assets		12,668
Receivable from other organizations, current portion		303,640
Sales-type lease receivable, current portion		2,836,602
Total Current Assets		4,808,046
Receivable from other organizations		2,616,128
Assets held for specific purpose		358,219
Sales-type lease receivable, net of current portion		12,380,094
Fixed Assets, Net		6,217,461
Total Assets	$	26,379,948
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$	51,066
Bank lines of credit		4,565,903
Mortgages payable, current portion		119,300
Bonds payable, current portion		3,944,833
Total Current Liabilities		8,681,102
Subvention Loan Payable		1,041,102
Mortgages payable, net of current portion		334,371
Bonds payable, net of current portion and deferred financi		12,895,050
Deferred Revenue		88,414
Total Liabilities		23,040,039
Net Assets:		
Unrestricted		3,339,909
Total Liabilities and Net Assets	$	26,379,948

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See notes to financial statements.

COMMUNITY SERVICES
SUPPORT CORPORATION

Statements of Activities and Changes in Net Assets

Years Ended December 31,		**2020**
Revenues		
Rental income	$	243,551
Interest income		746,502
Investment income		50,145
Prior year income		73,200
Total Revenue		1,113,398
Expenses		
Program services - rental activities:		
Interest		836,814
OPWDD administrative fees - bonds		256
Total Program Services		837,070
Supporting services:		
Management fee		150,000
Professional services		37,534
Total Supporting Services		187,534
Total Expenses		1,024,604
(Loss)/gain - conversion to ASU 2016-02		84,034
Changes in Net Assets		172,828
Net Assets, beginning of year		3,167,081
Net Assets, end of year	$	3,339,909

See notes to financial statements.

COMMUNITY SERVICES SUPPORT CORPORATION

Statements of Cash Flows

Years Ended December 31,		**2020**
Cash Flows from Operating Activities:		
Changes in net assets		172,828
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization		-
Interest expenses related to deferred financing costs		153,112
Unrealized (gain) loss on investments		(26,283)
(Gain) loss on change in accounting principle		(84,034)
Accrued interest payable on subvention loan payable		14,182
Costs of Issuance		-
Decrease (increase) in operating assets:		
Accounts receivable		-
Prepaid expenses and other current assets		34,246
Receivable from other organizations		387,871
Sales-type lease receivable		3,080,537
Decrease in operating liabilities:		
Accounts payable and accrued expenses		(23,415)
Deferred revenue		(77,193)
Net Cash Provided by Operating Activities		3,631,851
Cash Flows from Investing Activities:		
Purchase of fixed assets		(819,563)
Purchase of investments		23,666
Net Cash Used in Investing Activities		(795,897)
Cash Flows from Financing Activities:		
Proceeds from line of credit		919,630
Proceeds from Nassau County AHRC Foundation subvention loan		400,000
Principal payments on mortgages payable		(204,364)
Principal payments on bonds payable		(3,999,997)
Payments from assets held for specific purpose		(1,414)
Net Cash Used in Financing Activities		(2,886,145)
Net (Decrease) Increase in Cash and Cash Equivalents		(50,191)
Cash and Cash Equivalents, beginning of year		368,208
Cash and Cash Equivalents, end of year	$	318,017
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest		665,713

See notes to financial statements.

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NASSAU COUNTY AHRC FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE TWO MONTHS ENDED FEBRUARY 28, 2021

Unaudited

NASSAU COUNTY AHRC FOUNDATION, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
February 28, 2021

		February 28, 2021 Foundation - Unaudited
ASSETS		
Current		
Cash and cash equivalents	$	13,528,332
Accounts receivable		-
Investments		27,513,005
Contributions receivable		-
Prepaid expenses and other assets		471,809
Current portion of loan receivable - Advantage Care		70,093
Assets held for specific purpose		165,873
Receivable from LCDX		25,000
Total Current Assets		41,774,112
Long-Term		
Deferred Start Up Costs (211 and 348 Wheatley Road)		115,563
Loan receivable - Advantage Care, net of current portion		587,549
Loan receivable from Managed Care Organization		2,051,684
Computer software - LCDX		746,480
Due from Community Services Support Corporation ("CSSC")		1,441,101
Fixed Assets - computer software		-
Total Long-Term Assets		4,942,377
TOTAL ASSETS	**$**	**46,716,489**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued payroll and fringe benefits	$	74,396
Accrued expenses and other liabilities		171,240
Payable to Nassau County AHRC Foundation, Inc.		-
Due to other organizations		38,814
Deferred compensation payable		165,873
Payable to LCDX		3,000,000
Interest Agreement payable		-
Contributions held for BCCS		-
Contributions held for Citizens		-
Total Liabilities		3,450,323
NET ASSETS		
Unrestricted		42,827,692
Total Unrestricted		42,827,692
Temporarily restricted		438,474
TOTAL NET ASSETS		43,266,166
TOTAL LIABILITIES AND NET ASSETS	**$**	**46,716,489**

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NASSAU COUNTY AHRC FOUNDATION, INC. - STATEMENT OF ACTIVITIES

For the Two Months ended February 28, 2021

	Foundation	Walk	Roseball	Golf	Holiday Angels	Total	Two Months ended February 28, 2021
REVENUE							
Contributions	$ 4,456				$ (10,092)	$ (5,636)	$ (5,636)
Special Event Revenue			$ 13,000	$ (14,800)		(1,800)	(1,800)
Bequests	-					-	-
Contracted Services Income	26,004					26,004	26,004
Gross operating income	30,460	-	13,000	(14,800)	(10,092)	18,568	**18,568**
Less: Contributions Raised for Others						-	-
TOTAL REVENUE	**$ 30,460**	**$ -**	**$ 13,000**	**$ (14,800)**	**$ (10,092)**	**$ 18,568**	**$ 18,568**
EXPENSES							
Program Services							
Grant Expense	-					-	-
Total grant expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Supporting Services - Management & General							
Salaries	37,394					37,394	37,394
Fringe Benefits	13,939					13,939	13,939
Management fee expense, net	10,000					10,000	10,000
Meetings, Subscriptions & Permits	25					25	25
Professional fees	27,483					27,483	27,483
Merchant/Bank Fees	49					49	49
Payroll Processing Fees	60					60	60
Insurance	7,113					7,113	7,113
Sponsorship/Contrib/Bereavement	-					-	-
Total management & general	**96,063**	**-**	**-**	**-**	**-**	**96,063**	**96,063**
Fundraising							
Postage & Mailing						-	-
Printing / Graphic Design						-	-
Supplies & Stationary						-	-
Employee Travel & Meetings						-	-
Photo & Film						-	-
Event Catering/Food						-	-
Event Entertainment						-	-
Event Gratuities						-	-
Event Advertising & Promotion						-	-
Event Gifts & Awards						-	-
Event Rentals						-	-
Event Raffle Prizes						-	-
Event Flowers and Decorations						-	-
Total fundraising	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL EXPENSES	**$ 96,063**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 96,063**	**$ 96,063**
INCOME (LOSS) FROM OPERATIONS	**$ (65,603)**	**$ -**	**$ 13,000**	**$ (14,800)**	**$ (10,092)**	**$ (77,495)**	**$ (77,495)**
NON-OPERATING INCOME							
Interest and dividends	28,860					28,860	28,860
Realized gains (losses) on investments	1,383,752					1,383,752	1,383,752
Unrealized gains (losses) on investments	(1,119,857)					(1,119,857)	(1,119,857)
Investment Fees	6,414					6,414	6,414
Interest income (expense), net - MCO & Advantage	(25,995)					(25,995)	(25,995)
Investment income	273,173	-	-	-	-	273,173	**273,173**
TOTAL NON-OPERATING INCOME	**273,173**	**-**	**-**	**-**	**-**	**273,173**	**273,173**
CHANGE IN NET ASSETS	**$ 207,570**	**$ -**	**$ 13,000**	**$ (14,800)**	**$ (10,092)**	**$ 195,678**	**$ 195,678**

NASSAU COUNTY AHRC FOUNDATION, INC.

BOARD OF DIRECTORS MEETING

March 16, 2021

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Unaudited

NASSAU COUNTY AHRC FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020

		December 31, 2020
		Total- Unaudited
ASSETS		
Current		
Cash and cash equivalents	$	16,054,957
Accounts receivable		777,521
Investments		27,373,491
Contributions receivable		72,800
Prepaid expenses and other assets		382,999
Current portion of loan receivable - Advantage Care		70,093
Assets held for specific purpose		165,873
Total Current Assets		44,897,734
Long-Term		
Deferred Start Up Costs (211 and 348 Wheatley Road)		113,240
Loan receivable - Advantage Care, net of current portion		593,284
Loan receivable from Managed Care Organization		2,051,684
Computer software - LCDX		746,480
Due from Community Services Support Corporation ("CSSC")		1,041,101
Fixed Assets - computer software		332,258
Total Long-Term Assets		4,878,047
TOTAL ASSETS	**$**	**49,775,781**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued payroll and fringe benefits	$	69,945
Accrued expenses and other liabilities		131,135
Due to other organizations		159,534
Deferred compensation payable		165,873
Interest option agreement payable		892,563
Contributions held for BCCS		-
Contributions held for Citizens		-
Total Liabilities		1,419,050
NET ASSETS		
Total Unrestricted		47,918,257
Temporarily restricted		438,474
TOTAL NET ASSETS		48,356,731
TOTAL LIABILITIES AND NET ASSETS	**$**	**49,775,781**

NASSAU COUNTY AHRC FOUNDATION, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2020

	December 31, 2020			
	Foundation - Unaudited	**LCDX - Unaudited**	**Eliminations**	**Total - Unaudited**
ASSETS				
Current				
Cash and cash equivalents	$ 13,900,226	$ 2,154,731		$ 16,054,957
Accounts receivable	-	777,521		777,521
Investments	27,373,491	-	-	27,373,491
Contributions receivable	72,800	-		72,800
Prepaid expenses and other assets	432,303	441	(49,745)	382,999
Current portion of loan receivable - Advantage Care	70,093	-		70,093
Assets held for specific purpose	165,873	-		165,873
Receivable from Nassau County AHRC Foundation, Inc.	-	3,000,000	(3,000,000)	-
Receivable from LCDX	25,000	-	(25,000)	-
Total Current Assets	42,039,786	5,932,693	(3,074,745)	44,897,734
Long-Term				
Deferred Start Up Costs (211 and 348 Wheatley Road)	113,240	-		113,240
Loan receivable - Advantage Care, net of current portion	593,284	-		593,284
Loan receivable from Managed Care Organization	2,051,684	-		2,051,684
Computer software - LCDX	746,480	-		746,480
Due from Community Services Support Corporation ("CSSC")	1,041,101	-		1,041,101
Fixed Assets - computer software	-	332,258		332,258
Total Long-Term Assets	4,545,789	332,258	-	4,878,047
TOTAL ASSETS	**$ 46,585,575**	**$ 6,264,951**	**$ (3,074,745)**	**$ 49,775,781**
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accrued payroll and fringe benefits	$ 69,945	$ -	$ -	$ 69,945
Accrued expenses and other liabilities	119,735	11,400	-	131,135
Payable to Nassau County AHRC Foundation, Inc.	-	74,745	(74,745)	-
Due to other organizations	159,534	-	-	159,534
Deferred compensation payable	165,873	-	-	165,873
Investments held for LCDX	3,000,000	-	(3,000,000)	-
Interest Agreement payable	-	892,563	-	892,563
Contributions held for BCCS	-	-	-	-
Contributions held for Citizens	-	-	-	-
Total Liabilities	3,515,087	978,708	(3,074,745)	1,419,050
NET ASSETS				
Unrestricted	42,632,014	5,286,243	-	47,918,257
Total Unrestricted	42,632,014	5,286,243	-	47,918,257
Temporarily restricted	438,474	-	-	438,474
TOTAL NET ASSETS	43,070,488	5,286,243	-	48,356,731
TOTAL LIABILITIES AND NET ASSETS	**$ 46,585,575**	**$ 6,264,951**	**$ (3,074,745)**	**$ 49,775,781**

-

Nassau County AHRC Foundation, Inc.
Condensed, Consolidated Results of Operations
For the Twelve Months Ended December 31, 2020

		Total
Revenue		
Contributions	$	476,883
Service fees		3,983,123
Special event revenue		597,031
Bequests		466,128
Contracted services income		228,065
		5,751,230
Revenue generated for other companies		(24,659)
Total Revenue		**5,726,571**
Expense		
Grants		**227,500**
General and Administrative:		
Salaries		264,425
Fringe expense		82,707
Consulting fees		1,267,404
Insurance		18,573
Management fee expense, net		101,313
Professional fees - legal and other		85,416
Depreciation Expense		193,262
Other		14,657
Total General and Administrative Expense		**2,027,757**
Fundraising:		
Event catering/food		47,989
Event gifts and awards		15,462
Event expenses, other		27,644
Printing and graphic design		34,352
Other		18,446
Total Fundraising Expense		**143,893**
Total Expense		**2,399,150**
Income (Loss) from Operations		**3,327,421**
Other Income/(Loss):		
Investment income/(loss), net of fees		**2,323,096**
Change in Net Assets	**$**	**5,650,517**

Nassau County AHRC Foundation, Inc.
Consolidating Results of Operations
For the Twelve Months Ended December 31, 2020

	Foundation	LCDX	Eliminations	Total
Revenue				
Contributions	$ 476,883			$ 476,883
Service fees		$ 3,983,123		3,983,123
Special event revenue	597,031			597,031
Bequests	466,128			466,128
Management fee income	50,000		$ (50,000)	-
Contracted services income	228,065			228,065
	1,818,107	3,983,123	(50,000)	5,751,230
Revenue generated for other companies	(24,659)			(24,659)
Total Revenue	**1,793,448**	**3,983,123**	**(50,000)**	**5,726,571**
Expense				
Grants	**227,500**	**-**	**-**	**227,500**
General and Administrative:				
Salaries	264,425			264,425
Fringe expense	82,707			82,707
Consulting fees	-	1,267,404		1,267,404
Insurance	15,373	3,200		18,573
Management fee expense	101,313	50,000	(50,000)	101,313
Professional fees - legal and other	82,857	2,559		85,416
Depreciation expense	-	193,262		193,262
Other	14,332	325		14,657
Total General and Administrative Expense	**561,007**	**1,516,750**	**(50,000)**	**2,027,757**
Fundraising:				
Event catering/food	47,989			47,989
Event gifts and awards	15,462			15,462
Event expenses, other	27,644			27,644
Printing and graphic design	34,352			34,352
Other	18,446			18,446
Total Fundraising Expense	**143,893**	**-**	**-**	**143,893**
Total Expense	**932,400**	**1,516,750**	**(50,000)**	**2,399,150**
Income (Loss) from Operations	**861,048**	**2,466,373**	**-**	**3,327,421**
Other Income/(Loss):				
Investment income/(loss), net of fees	2,323,096			**2,323,096**
Change in Net Assets	**$ 3,184,144**	**$ 2,466,373**	**$ -**	**$ 5,650,517**

Nassau County AHRC Foundation, Inc.
Condensed Results of Operations
For the Year Ended December 31, 2020

	Actual	Budget	Over (Under) Budget
Revenue			
Special event revenue	$ 597,031	$ 920,000	$ (322,969)
Holiday Angels	177,169	115,000	62,169
Contributions	299,714	50,000	249,714
Bequests	466,128	400,000	66,128
Contracted services income	228,065	228,100	(35)
	1,768,107	1,713,100	55,007
Revenue generated for other companies	(24,659)	(169,700)	145,041
Total Revenue	**1,743,448**	**1,543,400**	**200,048**
Expense			
Grants	**227,500**	250,000	(22,500)
General and Administrative:			
Salaries	264,425	269,600	(5,175)
Fringe expense	82,707	80,200	2,507
Management fee paid to AHRC Nassau	51,313	86,500	(35,187)
Professional fees	82,857	35,400	47,457
Other	29,705	57,600	(27,895)
Total General and Administrative Expense	**511,007**	529,300	(18,293)
Fundraising:			
Event catering/food	47,989	127,300	(79,311)
Event gifts and awards	15,462	6,950	8,512
Event expenses, other	75,310	140,950	(65,640)
Other	5,132	500	4,632
Total Fundraising Expense	**143,893**	275,700	(131,807)
Total Expense	**882,400**	1,055,000	(172,600)
Income (Loss) from Operations	**861,048**	488,400	372,648
Other Income/(Loss):			
Interest and dividend income, net of fees	468,040	745,500	(277,460)
Realized and unrealized gains on investments	1,855,056	-	1,855,056
Investment income/(loss), net of fees	2,323,096	745,500	1,577,596
Change in Net Assets before writedowns	**$ 3,184,144**	$ 1,233,900	$ 1,950,244
Reserve for eWorks Receivable	-	-	-
Reserve for eWorks Investment	-	-	-
Change in Net Assets	**$ 3,184,144**	$ 1,233,900	$ 1,950,244

Nassau County AHRC Foundation, Inc.
Condensed Statements of Activities
For the Year ended December 31, 2020
Actual vs. Budget

		Year ended Dec. 31, 2020		Over (Under)
		Actual	**Budget**	**Budget**
REVENUE:				
Special Events:				
	Rose Ball	**$ 328,661**	$ 450,000	$ (121,339)
	Golf	**125,520**	125,000	520
	Walk	**92,800**	120,000	(27,200)
	Total	**546,981**	695,000	(148,019)
	Contributions received on behalf of others	**50,050**	225,000	(174,950)
Special event revenue		**597,031**	920,000	(322,969)
Campaigns:				
	Holiday Angels	**177,169**	115,000	62,169
	Other contributions	**299,714**	50,000	249,714
	Total	**476,883**	165,000	311,883
Bequests		**466,128**	400,000	66,128
Contracted Services Income		**228,065**	228,100	(35)
Gross Operating Revenue		**1,768,107**	1,713,100	55,007
Less:				
Contributions received for others - distrib.		**24,659**	169,700	(145,041)
NET OPERATING REVENUE		**1,743,448**	1,543,400	200,048
EXPENSES:				
Grants		**227,500**	250,000	(22,500)
Operating Expenses		**629,509**	749,700	(120,191)
Expenses related to others		**25,391**	55,300	(29,909)
TOTAL EXPENSES		**882,400**	1,055,000	(172,600)
INCOME (LOSS) FROM OPERATIONS		**$ 861,048**	$ 488,400	$ 372,648

NASSAU COUNTY AHRC FOUNDATION, INC. - STATEMENT OF ACTIVITIES

For the Twelve Months ended December 31, 2020

	Foundation	Walk	Roseball	Golf	Holiday Angels	Total	Contributions Received on Behalf of Others: Brookville Center Reach for the Stars	Contributions Received on Behalf of Others: Citizens, Inc.	Twelve Months ended December 31, 2020
REVENUE									
Contributions	$ 299,714				$ 177,169	$ 476,883			$ 476,883
Special Event Revenue		$ 92,800	$ 328,661	$ 125,520		546,981	$ 50,050		597,031
Bequests	466,128					466,128			466,128
Contracted Services Income	228,065					228,065			228,065
Gross operating income	993,907	92,800	328,661	125,520	177,169	1,718,057	50,050	-	**1,768,107**
Less: Contributions Raised for Others						-	(24,659)		(24,659)
TOTAL REVENUE	**$ 993,907**	**$ 92,800**	**$ 328,661**	**$ 125,520**	**$ 177,169**	**$ 1,718,057**	**$ 25,391**	**$ -**	**$ 1,743,448**
EXPENSES									
Program Services									
Grant Expense	227,500					227,500			227,500
Total grant expense	**227,500**	**-**	**-**	**-**	**-**	**227,500**	**-**	**-**	**227,500**
Supporting Services - Management & General									
Salaries	264,425					264,425			264,425
Fringe Benefits	82,707					82,707			82,707
Management fee expense, net	51,313					51,313			51,313
Meetings, Subscriptions & Permits	2,200					2,200			2,200
Professional fees	82,857					82,857			82,857
Merchant/Bank Fees	9,005					9,005			9,005
Payroll Processing Fees	1,250					1,250			1,250
Insurance	15,373					15,373			15,373
Sponsorship/Contrib/Bereavement	1,877					1,877			1,877
Total management & general	**511,007**	**-**	**-**	**-**	**-**	**511,007**	**-**	**-**	**511,007**
Fundraising									
Postage & Mailing	240	607			623	1,470			1,470
Printing / Graphic Design	2,627	1,683	9,466	2,350	15,143	31,269	3,083		34,352
Supplies & Stationary	146			200		346	26		372
Employee Travel & Meetings	131					131	92		223
Photo & Film	1,988		15,783			17,771	80		17,851
Event Catering/Food				34,684		34,684	13,305		47,989
Event Entertainment		2,575		875		3,450	3,550		7,000
Event Gratuities				3,200		3,200			3,200
Event Advertising & Promotion		2,745		1,357		4,102	4,558		8,660
Event Gifts & Awards		10,322		4,443		14,765	697		15,462
Event Rentals						-			-
Event Raffle Prizes			5,000	2,255		7,255			7,255
Event Flowers and Decorations			59			59			59
Total fundraising	**5,132**	**17,932**	**30,308**	**49,364**	**15,766**	**118,502**	**25,391**	**-**	**143,893**
TOTAL EXPENSES	**$ 743,639**	**$ 17,932**	**$ 30,308**	**$ 49,364**	**$ 15,766**	**$ 857,009**	**$ 25,391**	**$ -**	**$ 882,400**
INCOME (LOSS) FROM OPERATIONS	**$ 250,268**	**$ 74,868**	**$ 298,353**	**$ 76,156**	**$ 161,403**	**$ 861,048**	**$ -**	**-**	**$ 861,048**
NON-OPERATING INCOME									
Interest and dividends	659,457					659,457			659,457
Realized gains (losses) on investments	421,194					421,194			421,194
Unrealized gains (losses) on investments	1,433,862					1,433,862			1,433,862
Investment Fees	(97,150)					(97,150)			(97,150)
Interest income (expense), net - MCO & Advantage	(94,267)					(94,267)			(94,267)
Investment income	2,323,096	-	-	-	-	2,323,096	-	-	**2,323,096**
TOTAL NON-OPERATING INCOME	**2,323,096**	**-**	**-**	**-**	**-**	**2,323,096**	**-**	**-**	**2,323,096**
CHANGE IN NET ASSETS	**$ 2,573,364**	**$ 74,868**	**$ 298,353**	**$ 76,156**	**$ 161,403**	**$ 3,184,144**	**$ -**	**$ -**	**$ 3,184,144**

Note: Increase in net assets, excluding the effect of realized and unrealized gains (losses) on investments, eWorks reserve was:

2020 Total
$ 1,329,088

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APPENDIX C-II

DEVELOPMENTAL DISABILITIES INSTITUTE, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF MARCH 31, 2021)

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Developmental Disabilities Institute, Inc.
Balance Sheet
March 31, 2021 and December 31, 2020

	March 31, 2021	February 28, 2021	December 31, 2020
	Assets		
Current Assets			
Cash	$ 11,573,150	$ 10,905,516	$ 14,756,219
Restricted Cash - Workers Comp	181,066	181,043	180,996
Restricted Cash - Capital Campaign	158,574	158,374	155,374
Restricted Cash – Deferred Payroll Tax	3,116,764	3,116,807	3,116,807
Accounts Receivable (less allowance for doubtful accounts $501,650 and $501,650 respectively)	20,010,533	19,638,229	17,359,430
Grants Receivable	413,132	489,826	798,438
Contributions and Pledges Receivable	105,035	105,583	89,546
Inventory	44,991	45,066	47,553
Prepaid Expenses and Other Current Assets	1,008,142	1,289,639	1,565,082
Total Current Assets	36,611,387	35,930,083	38,069,445
Fixed Assets			
Land, buildings and Improvements	62,055,691	61,940,036	61,912,086
Leasehold Improvements	2,018,661	2,018,661	2,018,661
Furniture, Fixtures and Equipment	10,395,917	10,319,466	10,261,081
Vehicles	7,065,577	7,143,767	7,189,517
	81,535,846	81,421,930	81,381,345
Less Accumulated Depreciation	(48,611,343)	(48,392,195)	(47,833,177)
Construction-In-Progress	1,288,019	1,147,035	983,758
Net Fixed Assets	34,212,522	34,176,770	34,531,926
Other Assets			
Assets Limited as to use	4,069,632	3,874,854	3,975,782
Right of Use Asset	9,108,054	9,227,019	9,465,680
Other investments	22,388	22,476	22,476
Other Assets	13,200,074	13,124,349	13,463,938
Total Assets	**$ 84,023,983**	**$ 83,231,202**	**$ 86,065,309**
	Liabilities And Net Assets		
Current Liabilities			
Accounts Payable	$ 2,526,245	$ 2,505,094	$ 2,764,761
Accrued Expenses	4,336,458	4,302,135	4,391,076
Interest Payable	187,222	161,533	260,362
Accrued Payroll	3,652,630	3,135,930	2,683,810
Accrued related benefits	790,270	822,954	874,416
Deferred Payroll Tax	1,558,361	1,558,404	1,558,404
Reserve for worker's compensation	150,024	150,401	149,848
Accrued Retirement Plan Contribution	-	-	1,150,195
Deferred Revenue	593,960	658,094	1,033,013
Current portion of Operating Lease Liability	1,392,307	1,383,229	1,365,571
Current portion of Capital Leases	769,205	833,376	833,376
Current portion Mortgages and Notes Payable	151,623	152,699	152,699
Current portion of Bonds Payable	2,283,344	2,254,376	2,254,376
Current portion of Due to Governmental Agencies	2,555,861	2,492,905	2,490,183
Total Current Liabilities	20,947,510	20,411,130	21,962,090
Long - Term Liabilities			
Deferred Payroll Tax, less current	1,558,404	1,558,404	1,558,404
Deferred Revenue, less current	1,465,187	1,478,250	1,503,448
Operating Lease Liability, less current	8,024,847	8,145,169	8,383,780
Capital Lease Obligation, less current	1,033,184	1,044,304	1,207,463
Mortgages and Notes Payable, less current	1,158,727	1,170,408	1,197,648
Bonds Payable, less current	18,948,828	18,961,676	18,929,436
Long-Term Liabilities	32,189,177	32,358,211	32,780,179
Total Liabilities	**53,136,687**	**52,769,341**	**54,742,269**
Net Assets			
Without donor restrictions	30,456,909	30,040,984	30,902,344
With donor restrictions	430,387	420,877	420,696
Total Net Assets	30,887,296	30,461,861	31,323,040
Liabilities and Net Assets	**$ 84,023,983**	**$ 83,231,202**	**$ 86,065,309**

Note: Effective 2/1/2021, the Irrevocable Letter of Credit issued to AIG relating to the worker's comp policy increased to $4,316,837 from $4,116,837; as of March 31, 2021 there were no draw downs on this Letter of Credit.

The information at March 31, 2021 and for the three months ended March 31, 2021 has been prepared and is the responsibility of management. Our independent accountants, BDO USA LLP, have not audited, reviewed, compiled or performed any procedures, and do not express an opinion with respect to such data.

Developmental Disabilities Institute, Inc.
Statement of Cash Flows
For Three Months Ended March 31, 2021

	March 31, 2021	February 28, 2021
Operating activities		
Excess of support and revenue over expenses	(435,744)	(861,179)
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by operating activities:		
Depreciation	902,856	605,518
Amortization on debt issuance costs	48,360	32,240
(Gain) Loss on disposal of Fixed Assets	(55,736)	(55,736)
Unrealized (Gain) Loss on investments	0	0
(Increase) decrease in:		
Accounts Receivable	(2,651,103)	(2,278,799)
Grants Receivable	385,306	308,612
Contributions and Pledges Receivable	(15,489)	(16,037)
PPE Inventory	2,562	2,487
Prepaid and Other Assets	556,938	275,443
Operating Lease Asset	-	-
Increase (decrease) in:		
Accounts Payable	(238,516)	(259,667)
Accrued Expenses	(54,618)	(88,941)
Interest Payable	(73,140)	(98,829)
Accrued Payroll	968,820	452,120
Accrued Related Benefits	(84,189)	(51,462)
Workers Compensation	176	553
Accrued Retirement Plan Contribution	(1,150,195)	(1,150,195)
Deferred Revenue	(477,314)	(400,117)
Operating Lease Liability	-	-
Due to Governmental Agencies	65,678	2,722
Deferred Payroll tax	-	-
Net cash used in operating activities	**(2,305,347)**	**(3,581,267)**
Investing activities		
Purchases of Property and Equipment	(583,451)	(250,362)
Proceeds from Disposals	55,736	55,736
Assets Limited as to use	88	
Net cash used in investing activities	(527,627)	(194,626)
Financing activities		
Right of Use Asset	357,626	238,661
Operating Lease Liability	(332,197)	(220,953)
Principal repayments on Capital Lease	(238,450)	(163,159)
Principal repayments on Mortgages and Notes Payable	(39,997)	(27,240)
Principal repayments on Bonds	-	-
Net cash used in financing activities	**(253,018)**	**(172,691)**
Net Increase in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	**(3,085,992)**	**(3,948,584)**
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, at December 31, 2020	22,185,178	22,185,178
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, at March 31, 2021	**$ 19,099,186**	**$ 18,236,594**

4/20/2021

Developmental Disabilities Institute, Inc.
Statement of Revenue and Functional Expenses
For the Three Months Ended March 31, 2021
Summary of All Divisions

	Program Services											
	Children's Day Program	Early Childhood Services	Children's Residential Program	Adult Day Services	Adult ICF Services	Adult IRA Services	Self Direction	Other Programs	Fundraising	Total	Admin	Grand Total
Change in Net Assets without donor restrictions												
Revenue												
SED/ EI	4,245,544	4,713,766	0	0	0	0	0	0	0	8,959,310	0	8,959,310
Medicaid	13,991	0	2,945,677	4,145,784	792,585	8,215,737	925,080	0	0	17,038,854	0	17,038,854
Grants	56,155	189,215	12,842	41,663	2,600	34,504	3,563	8,220	3,002	351,764	10,877	362,641
Other Income	14,412	77,800	7,919	20,355	163	830,642	157,970	157,703	16,547	1,283,511	23,324	1,306,835
Total Revenue	**4,330,102**	**4,980,781**	**2,966,438**	**4,207,802**	**795,348**	**9,080,883**	**1,086,613**	**165,923**	**19,549**	**27,633,439**	**34,201**	**27,667,640**
Expenses												
Salary expenses												
Direct Care	1,273,368	1,645,602	1,285,574	1,572,805	330,335	4,613,908	432,169	0	0	11,153,761	0	11,153,761
Support	0	0	21,156	102	0	80,834	0	0	0	102,092	0	102,092
Clinical	978,668	1,046,237	343,785	427,885	37,259	530,216	27,003	9,040	1	3,400,094	21,117	3,421,211
Program Admin/Admin	165,908	260,883	94,727	132,740	11,832	155,190	24,202	958	63,115	909,555	923,401	1,832,956
Maintenance	122,208	158,095	49,682	64,409	15,191	144,532	1,470	13,003	686	569,276	23,091	592,367
Transportation	5,204	4,314	8,210	345,704	2,691	37,949	40	249	19	404,380	9,597	413,977
Employee Recruitment Salaries	1,200	600	1,200	1,784	600	2,100	0	0	0	7,484	616	8,100
Workmen's Comp Reimbursement	(2,447)	0	(2,933)	(3,029)	0	0	0	0	0	(8,409)	0	(8,409)
Total Salaries Expense	**2,544,109**	**3,115,731**	**1,801,401**	**2,542,400**	**397,908**	**5,564,729**	**484,884**	**23,250**	**63,821**	**16,538,233**	**977,822**	**17,516,055**
Fringe Benefits & OTPS												
Employee Benefits	929,401	1,146,028	508,697	767,815	122,806	1,709,392	81,819	7,480	14,122	5,287,560	258,962	5,546,522
Fees For Service Professionals	185	0	17,281	19,582	1,964	10,842	95,550	0	0	145,404	101,717	247,121
Telephone & Communications	24,426	27,483	19,012	49,553	2,572	48,849	565	2,766	403	175,629	17,155	192,784
Travel	5,676	7,431	2,337	4,950	776	7,599	68	429	32	29,298	3,533	32,831
Food & Household Supplies	0	118	122,378	5,912	23,770	315,108	0	0	0	467,286	0	467,286
Program & Recreation Expense	27,099	15,559	14,246	16,326	2,002	44,417	0	2,114	9,613	131,376	0	131,376
Supplies & Office Expense	37,195	31,794	12,642	21,903	1,798	21,007	24,414	169	7,155	158,077	209,310	367,387
Miscellaneous Expense	181	2	164	26	0	41	0	0	0	414	712	1,126
Furniture & Equipment	231	630	857	1,632	30	4,171	0	0	258	7,809	4,916	12,725
Medical Expense	2,676	4,415	10,475	3,623	2,100	28,280	2	581	1	52,153	1,264	53,417
Staff Expenses	11,548	12,290	5,307	6,697	976	14,337	929	132	187	52,403	21,351	73,754
Vehicle Expense	2,128	465	3,872	76,312	2,709	40,489	4	27	2	126,008	1,261	127,269
Insurance Expense	37,989	40,550	36,126	125,058	10,015	138,673	4,336	835	40	393,622	15,029	408,651
Meetings & Conferences	56	24	20	110	8	98	0	0	237	553	1,108	1,661
Legal & Accounting	2,757	0	7,891	0	0	0	0	0	0	10,648	60,924	71,572
Admin Fees	833	893	329	566	39	1,061	14	3	14	3,752	920	4,672
Fuel & Utilities	52,147	68,407	47,293	76,046	9,755	102,611	554	20,605	263	377,681	11,364	389,045
Repairs & Maintenance	55,476	69,323	38,066	87,572	6,472	96,293	822	4,018	395	358,437	15,783	374,220
Medicaid Assessment Tax	0	0	153,567	0	41,324	0	0	0	0	194,891	0	194,891
Transportation Serv. Exp.	0	0	0	6,394	0	0	0	0	0	6,394	0	6,394
OTPS - Self Directed Reimbursement	0	0	0	0	0	0	214,950	0	0	214,950	0	214,950
Total Fringe Benefits & OTPS	**1,190,004**	**1,425,412**	**1,000,560**	**1,270,077**	**229,116**	**2,583,268**	**424,027**	**39,159**	**32,722**	**8,194,345**	**725,309**	**8,919,654**
Property												
Rent	114	154,803	0	263,164	18	231	0	66,266	0	484,596	5,457	490,053
Property Insurance	5,438	7,514	3,300	2,848	635	11,752	67	1,068	32	32,654	1,284	33,938
Property Interest	34,804	8,438	34,927	35,536	1,177	125,885	860	19,027	94	260,748	16,936	277,684
Depreciation & Capital Lease Amort.	82,529	72,183	120,561	172,008	12,142	348,739	2,590	16,052	12,954	839,758	63,099	902,857
Property - Self Directed Reimbursement	0	0	0	0	0	0	25,668	0	0	25,668	0	25,668
Total Property	**122,885**	**242,938**	**158,788**	**473,556**	**13,972**	**486,607**	**29,185**	**102,413**	**13,080**	**1,643,424**	**86,776**	**1,730,200**
Total Functional Expenses	**3,856,998**	**4,784,081**	**2,960,749**	**4,286,033**	**640,996**	**8,634,604**	**938,096**	**164,822**	**109,623**	**26,376,002**	**1,789,907**	**28,165,909**
Allocation Of Central Admin Exp	270,239	328,644	202,779	275,911	45,378	589,674	65,778	4,517	6,987	1,789,907	(1,789,907)	0
Total Functional Exp After Allocations	**4,127,237**	**5,112,725**	**3,163,528**	**4,561,944**	**686,374**	**9,224,278**	**1,003,874**	**169,339**	**116,610**	**28,165,909**	**(0)**	**28,165,909**
Operating Surplus / Deficit	**202,865**	**(131,944)**	**(197,090)**	**(354,142)**	**108,974**	**(143,395)**	**82,739**	**(3,416)**	**(97,061)**	**(532,470)**	**34,201**	**(498,269)**
Prior Period Adjustment	45,067	(12)	(558)	(529)	630	7,305	(57)	7	(5)	51,848	981	52,829
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**247,932**	**(131,956)**	**(197,648)**	**(354,671)**	**109,604**	**(136,090)**	**82,682**	**(3,409)**	**(97,066)**	**(480,622)**	**35,182**	**(445,440)**
Change in Net Assets with donor restrictions												
Other Income with donor restrictions	0	0	0	0	0	0	0	0	16,704	16,704	0	16,704
Net Assets released from restrictions	0	0	0	0	0	0	0	0	(7,013)	(7,013)	0	(7,013)
Increase/Decrease in Net Assets with donor restrictions	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**9,691**	**9,691**	**0**	**9,691**
Total Increase/Decrease in Net Assets	**247,932**	**(131,956)**	**(197,648)**	**(354,671)**	**109,604**	**(136,090)**	**82,682**	**(3,409)**	**(87,375)**	**(470,931)**	**35,182**	**(435,749)**
Fringe %	36.53%	36.78%	28.24%	30.2%	30.86%	30.72%	16.87%	32.17%	22.13%	31.97%	26.48%	31.67%
Admin Allocation	7.24%	7.24%	7.24%	7.24%	7.24%	7.24%	7.24%	7.24%	7.24%	7.24%	7.24%	7.24%

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Developmental Disabilities Institute
Summary of All Divisions
For the Three Months Ended March 31, 2021

o Actual Summary

	MTD		Variance		YTD		Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Change in Net Assets without donor								
Revenue								
SED/ EI	3,099,047	3,233,008	(133,961)	-4.14%	8,959,310	9,510,799	(551,489)	-5.80%
Medicaid	6,134,406	5,933,580	200,826	3.38%	17,038,854	16,672,432	366,422	2.20%
Grants	204,124	109,735	94,389	86.02%	362,644	344,262	18,382	5.34%
Other Income	446,245	457,190	(10,945)	-2.39%	1,306,834	1,277,803	29,031	2.27%
Total Revenue	**9,883,822**	**9,733,513**	**150,309**	**1.54%**	**27,667,642**	**27,805,296**	**(137,654)**	**-0.50%**
Expenses								
Salary expenses								
Direct Care	3,745,720	3,534,644	211,076	5.97%	11,153,759	10,241,528	912,231	8.91%
Support	33,792	72,717	(38,925)	-53.53%	102,091	211,114	(109,023)	-51.64%
Clinical	1,151,183	1,275,845	(124,662)	-9.77%	3,421,211	3,702,767	(281,556)	-7.60%
Program Admin/Admin	624,763	659,096	(34,333)	-5.21%	1,832,955	1,915,609	(82,654)	-4.31%
Maintenance	186,846	201,841	(14,995)	-7.43%	592,366	585,990	6,376	1.09%
Transportation	146,410	201,451	(55,041)	-27.32%	413,977	584,859	(170,882)	-29.22%
Employee Recruitment Salaries	5,400	2,253	3,147	139.68%	8,100	6,760	1,340	19.82%
Workers Comp Reimbursement	(8,409)	0	(8,409)	0.00%	(8,409)	0	(8,409)	0.00%
Total Salaries Expense	**5,885,705**	**5,947,847**	**(62,142)**	**-1.04%**	**17,516,050**	**17,248,627**	**267,423**	**1.55%**
Fringe Benefits & OTPS								
Employee Benefits	1,882,037	1,870,748	11,289	0.60%	5,546,522	5,553,347	(6,825)	-0.12%
Fees For Service Professionals	95,783	73,048	22,735	31.12%	247,121	219,143	27,978	12.77%
Telephone & Communications	64,245	64,663	(418)	-0.65%	192,783	193,988	(1,205)	-0.62%
Travel	8,994	11,210	(2,216)	-19.77%	32,830	33,629	(799)	-2.38%
Food & Household Supplies	156,018	165,017	(8,999)	-5.45%	467,287	495,052	(27,765)	-5.61%
Program & Recreation Expense	59,480	61,039	(1,559)	-2.55%	131,375	205,021	(73,646)	-35.92%
Supplies & Office Expense	118,260	147,915	(29,655)	-20.05%	367,386	443,744	(76,358)	-17.21%
Miscellaneous Expense	239	0	239	0.00%	1,126	0	1,126	0.00%
Furniture & Equipment	6,422	10,960	(4,538)	-41.41%	12,725	32,879	(20,154)	-61.30%
Medical Expense	9,375	25,613	(16,238)	-63.40%	53,418	76,839	(23,421)	-30.48%
Staff Expenses	28,773	44,487	(15,714)	-35.32%	73,754	133,463	(59,709)	-44.74%
Vehicle Expense	50,292	50,663	(371)	-0.73%	127,269	150,182	(22,913)	-15.26%
Insurance Expense	136,409	142,021	(5,612)	-3.95%	408,650	426,062	(17,412)	-4.09%
Meetings & Conferences	654	2,655	(2,001)	-75.37%	1,661	7,964	(6,303)	-79.14%
Legal & Accounting	41,407	19,345	22,062	114.04%	71,572	58,034	13,538	23.33%
Admin Fees	1,406	1,515	(109)	-7.19%	4,672	4,545	127	2.79%
Utilities	123,426	95,922	27,504	28.67%	389,046	287,765	101,281	35.20%
Repairs & Maintenance	121,537	123,167	(1,630)	-1.32%	374,219	369,502	4,717	1.28%
Medicaid Assessment Tax	67,553	67,854	(301)	-0.44%	194,891	196,821	(1,930)	-0.98%
Transportation Serv. Exp.	2,612	2,500	112	4.48%	6,394	7,500	(1,106)	-14.75%
OTPS - Self Directed Reimbursement	71,459	55,025	16,434	29.87%	214,950	156,735	58,215	37.14%
Total Fringe Benefits & OTPS	**3,046,381**	**3,035,367**	**11,014**	**0.36%**	**8,919,651**	**9,052,215**	**(132,564)**	**-1.46%**
Property								
Rent	163,830	162,134	1,696	1.05%	490,054	486,402	3,652	0.75%
Property Insurance	11,313	11,311	2	0.02%	33,939	33,933	6	0.02%
Property Interest	90,570	90,931	(361)	-0.40%	277,686	278,420	(734)	-0.26%
Depreciation & Capital Lease Amort.	297,339	308,900	(11,561)	-3.74%	902,856	926,700	(23,844)	-2.57%
Property - Self Directed Reimbursement	10,556	6,908	3,648	52.81%	25,668	19,678	5,990	30.44%
Total Property	**573,608**	**580,184**	**(6,576)**	**-1.13%**	**1,730,203**	**1,745,133**	**(14,930)**	**-0.86%**
Total Functional Expenses	**9,505,694**	**9,563,398**	**(57,704)**	**-0.60%**	**28,165,904**	**28,045,975**	**119,929**	**0.43%**
Allocation of Central Admin Exp								
Total Functional Exp After Allocations	**9,505,694**	**9,563,398**	**(57,704)**	**-0.60%**	**28,165,904**	**28,045,975**	**119,929**	**0.43%**
Operating Surplus/Deficit	**378,128**	**170,115**	**208,013**	**122.28%**	**(498,262)**	**(240,679)**	**(257,583)**	**107.02%**
Prior Period Adjustment	37,800	0	37,800	0.00%	52,830	0	52,830	0.00%
Net Surplus/Deficit (Increase/Decrease in Net Assets without donor restrictions)	**415,928**	**170,115**	**245,813**	**144.50%**	**(445,432)**	**(240,679)**	**(204,753)**	**85.07%**
Change in Net Assets with donor restrictions								
Other Income with donor restrictions	11,747	0	11,747	0.00%	16,704	0	16,704	0.00%
Net Assets released from restrictions	(2,237)	0	(2,237)	0.00%	(7,013)	0	(7,013)	0.00%
Net Surplus/Deficit (Increase/Decrease in Net Assets with donor restrictions)	**9,510**	**0**	**9,510**	**0.00%**	**9,691**	**0**	**9,691**	**0.00%**
Total Increase/Decrease in Net Assets	**425,438**	**170,115**	**255,323**	**150.09%**	**(435,741)**	**(240,679)**	**(195,062)**	**81.05%**

Developmental Disabilities Institute, Inc.

Unaudited
Statement of Financial Position

December 31, 2020		
Assets		
Current		
Cash and cash equivalents (Note 3)	$	17,873,027
Assets limited as to use, current portion (Notes 3 and 4)		336,370
Accounts receivable, net of allowance for doubtful accounts (Notes 3 and 5)		17,233,017
Government and other grants receivable (Notes 3 and 5)		798,438
Contributions and pledges receivable, current portion (Notes 3 and 6)		37,468
Prepaid expenses and other assets		1,453,555
Total Current Assets		37,731,875
Security Deposits		159,080
Right-of-Use Assets (Notes 3 and 14)		9,465,680
Other Assets (Note 3)		22,476
Contributions and Pledges Receivable, Net, less current portion (Notes 3 and 6)		52,079
Assets Limited as to Use, less current portion (Notes 3 and 4)		3,975,781
Fixed Assets, Net (Notes 3, 7, 12 and 13)		34,531,929
	$	85,938,900
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$	7,155,837
Accrued interest payable (Note 13)		260,362
Accrued payroll and related benefits		3,708,075
Deferred payroll tax, current portion		1,558,404
Accrued employer contribution payable (Note 8)		1,150,195
Deferred revenue, current portion (Note 3)		1,024,803
Operating lease liability, current portion (Note 14)		1,365,571
Finance lease obligations, current portion (Note 10)		833,376
Mortgages and loans payable, current portion (Note 12)		152,699
Bonds payable, current portion (Note 13)		2,254,376
Due to governmental agencies (Notes 3 and 9)		2,322,225
Total Current Liabilities		21,785,923
Deferred Payroll Tax, less current portion		1,558,404
Deferred Revenue, less current portion (Note 3)		1,555,035
Operating Lease Liability, less current portion (Note 14)		8,383,780
Finance Lease Obligations, less current maturities (Note 10)		1,207,466
Mortgages and Loans Payable, less current maturities (Note 12)		1,197,648
Bonds Payable, less current maturities (Note 13)		18,929,436
Total Liabilities		54,617,692
Commitments and Contingencies (Notes 2, 7, 9, 10, 11, 12, 13, 14, 15, 18 and 19)		
Net Assets		
Net assets without donor restrictions		30,860,522
Net assets with donor restrictions		460,686
Total Net Assets		31,321,208
Total Liabilities and Net Assets	$	85,938,900

Developmental Disabilities Institute, Inc.

Unaudited
Statement of Activities

Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	
Program Revenues			
Fees for services	$ 107,363,431	$ -	**$ 107,363,431**
Government and other grants	3,058,112	-	**3,058,112**
Other program revenues	1,444,166	-	**1,444,166**
Net assets released from restrictions (Note 16)	100,747	(100,747)	**-**
Total Program Revenues	111,966,456	(100,747)	**111,865,709**
Expenses			
Program services:			
Education services	35,973,671	-	**35,973,671**
Adult day services	19,944,067	-	**19,944,067**
Children’s residential services	11,219,934	-	**11,219,934**
Adult residential services	36,619,379	-	**36,619,379**
Other program services	775,952	-	**775,952**
Total Program Services	104,533,003	-	**104,533,003**
Supporting services:			
Management and general	7,533,780	-	**7,533,780**
Fundraising	451,322	-	**451,322**
Total Supporting Services	7,985,102	-	**7,985,102**
Total Expenses	112,518,105	-	**112,518,105**
Change in Net Assets, before nonoperating revenues and expenses	(551,649)	(100,747)	**(652,396)**
Special events revenues	324,157	-	**324,157**
Direct cost to donors	(90,699)	-	**(90,699)**
Net Revenues from Special Events	233,458	-	**233,458**
Contributions	627,203	140,700	**767,903**
Gain on sale of fixed assets	93,481	-	**93,481**
Gain (loss) on other investment	(6,977)	-	**(6,977)**
Interest income	119,001	-	**119,001**
Other income	109,810	-	**109,810**
Prior-period income (loss) (Note 3)	(73,063)	-	**(73,063)**
Total Nonoperating Revenues and Expenses	1,102,913	140,700	**1,243,613**
Change in Net Assets	551,264	39,953	**591,217**
Net Assets, beginning of year	30,309,258	420,733	**30,729,991**
Net Assets, end of year	$ 30,860,522	$ 460,686	**$ 31,321,208**

Developmental Disabilities Institute, Inc.

Unaudited
Statement of Functional Expenses

Year ended December 31, 2020

	Program Services						Supporting Services			Total
	Education Services	Adult Day Services	Children's Residential Services	Adult Residential Services	Other Program Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Related Expenses										
Salaries	$ 23,982,625	$ 11,499,394	$ 6,644,479	$ 23,159,865	$ 171,729	$ 65,458,092	$ 4,023,452	$ 230,433	$ 4,253,885	**$ 69,711,977**
Payroll taxes and employee benefits	8,570,282	3,574,328	1,971,156	7,108,978	38,130	21,262,874	1,309,206	46,246	1,355,452	**22,618,326**
Total Salaries and Related Expenses	32,552,907	15,073,722	8,615,635	30,268,843	209,859	86,720,966	5,332,658	276,679	5,609,337	**92,330,303**
Fee-for-services professionals	8,728	328,738	32,922	68,265	-	438,653	219,355	-	219,355	**658,008**
Building occupancy	617,051	1,129,761	-	23,301	263,217	2,033,330	21,568	-	21,568	**2,054,898**
Telephone	207,758	231,318	80,328	209,819	243	729,466	63,198	1,391	64,589	**794,055**
Travel	32,221	100,657	3,634	33,977	718	171,207	14,067	350	14,417	**185,624**
Supplies	425,866	650,339	284,713	894,523	3,639	2,259,080	756,698	34,798	791,496	**3,050,576**
Food	517	8,024	384,598	954,990	-	1,348,129	192	-	192	**1,348,321**
Office expense	132,431	45,380	28,083	56,309	44	262,247	124,917	17,103	142,020	**404,267**
Dues and subscriptions	6,286	2,184	3,183	3,452	4	15,109	89,280	3,338	92,618	**107,727**
Postage	8,715	1,758	965	538	387	12,363	50,250	2,057	52,307	**64,670**
Meetings and conferences	805	1,573	798	2,955	1	6,132	2,705	482	3,187	**9,319**
Employee training and recruitment	86,738	57,632	47,984	116,207	40,947	349,508	102,868	58,415	161,283	**510,791**
Legal and accounting	-	-	2,417	157,805	-	160,222	231,012	-	231,012	**391,234**
Utilities	285,428	284,025	134,489	387,091	63,319	1,154,352	29,742	679	30,421	**1,184,773**
Repairs and maintenance	312,407	253,432	163,676	429,498	30,038	1,189,051	44,864	791	45,655	**1,234,706**
Equipment and furniture	125,108	44,612	38,495	82,694	5,083	295,992	66,969	3,308	70,277	**366,269**
Interest	182,802	166,747	154,921	567,521	85,820	1,157,811	45,637	391	46,028	**1,203,839**
Insurance	369,444	544,179	147,972	675,885	9,460	1,746,940	70,254	1,671	71,925	**1,818,865**
Medicaid assessment taxes	-	-	614,654	164,890	-	779,544	-	-	-	**779,544**
Debt-related expenses	-	-	-	-	-	-	32,531	-	32,531	**32,531**
Transportation subcontracting fees	-	12,856	-	-	-	12,856	-	-	-	**12,856**
Vehicle expense	14,376	301,066	16,734	165,675	58	497,909	3,929	8	3,937	**501,846**
Total Expenses, before depreciation and amortization	35,369,588	19,238,003	10,756,201	35,264,238	712,837	101,340,867	7,302,694	401,461	7,704,155	**109,045,022**
Depreciation and Amortization	604,083	706,064	463,733	1,355,141	63,115	3,192,136	231,086	49,861	280,947	**3,473,083**
Total Expenses	$ 35,973,671	$ 19,944,067	$ 11,219,934	$ 36,619,379	$ 775,952	$ 104,533,003	$ 7,533,780	$ 451,322	$ 7,985,102	**$ 112,518,105**

Developmental Disabilities Institute, Inc.

Unaudited
Statement of Cash Flows

Year ended December 31, 2020		
Cash Flows from Operating Activities		
Change in net assets	$	591,217
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		3,473,083
Interest on debt issuance costs		195,563
Gain on sale of fixed assets		(93,481)
Discount on pledges receivables		(1,233)
Unrealized losses (gains) on investments		271
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable		(372,004)
Government and other grants receivable		(125,121)
Contributions and pledges receivable		28,296
Prepaid expenses and other assets		(49,410)
Increase (decrease) in:		
Accounts payable and accrued expenses		1,866,489
Accrued interest payable		(2,822)
Accrued payroll and related benefits		3,660,677
Accrued pension payable		24,767
Deferred revenue		131,994
Due to governmental agencies		(275,232)
Net Cash Provided by Operating Activities		9,053,054
Cash Flows from Investing Activities		
Purchases of fixed assets		(3,396,881)
Proceeds from sale of fixed assets		104,372
Net Cash Used in Investing Activities		(3,292,509)
Cash Flows from Financing Activities		
Right-of-use asset		492,167
Operating lease liability		(359,524)
Repayments on finance lease obligations		(907,611)
Principal payments on mortgages and loans payable		(191,535)
Proceeds from bonds payable		-
Principal payments on bonds payable		(2,385,000)
Net Cash Provided by (Used in) Financing Activities		(3,351,503)
Net Increase in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents		2,409,042
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, beginning of year		19,776,136
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, end of year	$	22,185,178
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$	1,008,276
Noncash transaction related to capital leases		796,400

APPENDIX C-III

HASC CENTER, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF FEBRUARY 28, 2021)

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HASC CENTER, INC.
STATEMENT OF FINANCIAL POSITION
February 28, 2021

ASSETS

Current Assets		**February 28, 2021**
Cash and Cash Equivalents	$	2,477,762
Cash-JP Morgan Annuity		1,423,798
Investments		15,433,202
Accounts Receivable (Less $4,000 Allowance)		1,983,481
Medicaid and Grants Receivable		10,805,300
Notes Receivable		750,000
Prepaid Expenses		977,342
Prepaid Interest		10,879
Total Current Assets	**$**	**33,861,764**
Fixed Assets		
Land	$	2,481,500
Building		32,246,731
Leasehold Improvements		4,527,099
Machinery & Equipment		1,828,810
Furniture & Fixtures		678,083
Accumulated Depreciation		(18,775,408)
Total Fixed Assets	**$**	**22,986,815**
Other Assets		
Due From Blanche Kahn Family Health Center		2,626,630
Reserve Funds		466,155
Camp HASC		7,383,663
Security Deposits		121,451
Retirement Trust Fund		1,564,274
Bond Closing Costs (Net of Amortization of $440,845)		669,183
Total Other Assets	**$**	**12,831,356**
TOTAL ASSETS	**$**	**69,679,935**

HASC CENTER, INC.
STATEMENT OF FINANCIAL POSITION
February 28, 2021

LIABILITIES AND NET ASSETS

Current Liabilities		**February 28, 2021**
Accounts Payable	$	1,427,496
Accrued Wages & Taxes		1,730,105
Accrued Expenses		172,464
Loans & Leases Payable		2,500,133
Advances from OPWDD		216,549
Due to Employees- HCA		415,507
Mortgages Payable		702,466
Other Liabilities		34,824
Total Current Liabilities	**$**	**7,199,544**
Other Liabilities		
Loans Payable	$	5,010,149
Deferred Taxes Payable		1,202,416
Advances From OPWDD		250,218
Mortgages Payable		6,166,618
Retirement Fund Payable		1,564,274
Other Liabilities		177,022
Total Other Liabilities	**$**	**14,370,697**
TOTAL LIABILITIES	**$**	**21,570,241**
Net Assets		
Unrestricted Net Assets	$	46,005,449
Board Designated Net Assets		2,104,245
Total Net Assets	**$**	**48,109,694**
TOTAL LIABILITIES AND NET ASSETS	**$**	**69,679,935**

HASC CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2021

		February 28, 2021
REVENUE		
Program Services Fees		35,184,671
Provider Relief Fund		439,312
Management Income		26,000
Other Income		139,170
Investment Income		3,516,189
TOTAL REVENUE	**$**	**39,305,342**
EXPENSES		
Program Services	$	32,275,478
General & Administrative		2,548,072
TOTAL EXPENSES	**$**	**34,823,550**
Surplus	**$**	**4,481,792**
Net Assets- Beginning		41,523,657
NET ASSETS - ENDING	**$**	**46,005,449**

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APPENDIX C-IV

HEARTSHARE HUMAN SERVICES OF NEW YORK

UNAUDITED FINANCIAL INFORMATION

(AS OF FEBRUARY 28, 2021)

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HEARTSHARE HUMAN SERVICES
BALANCE SHEET
FEBRUARY 28, 2021

		2/28/2021	BDO 6/30/2020
ASSETS			
CURRENT ASSETS			
CASH AND EQUIVALENTS		$3,914,667	$3,712,656
ACCOUNTS RECEIVABLE - GOV (NET OF $50,000)		23,874,514	22,280,091
ACCOUNTS RECEIVABLE - OTHER (NET OF $1,069,753)		1,057,745	0
ACCOUNTS RECEIVABLE - OTHER - DUE FROM WELLNESS		0	0
ACCOUNTS RECEIVABLE - OTHER - DUE FROM HEC		0	0
ACCOUNTS RECEIVABLE - OTHER - DUE FROM HSVS		500,000	0
PREPAID EXPENSES		582,897	666,359
OTHER CURRENT ASSETS		302,371	460,181
	TOTAL CURRENT ASSETS	30,232,194	27,119,287
FIXED ASSETS - AT COST (NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION OF $38,317,922)		27,875,084	26,540,828
DUE FROM HEC		902,141	1,586,929
DUE FROM ST. VINCENT'S SERVICES, INC.		9,762,102	13,713,954
DEBT SERVICE RESERVE FUND		54,806	54,806
DEFERRED CHARGE		202,280	182,487
	TOTAL ASSETS	$69,028,606	$69,198,291
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES		$3,066,928	$5,757,994
ACCRUED SALARIES AND VACATIONS PAYABLE		5,774,850	5,821,852
INTERCOMPANY PAYABLE (DUE TO WELLNESS)		0	0
DUE TO NEW YORK STATE		1,721,142	2,689,662
DUE TO NEW YORK CITY		845,112	0
CURRENT PORTION OF NOTES PAYABLE		12,246,429	16,746,430
CURRENT PORTION OF CAPITAL LEASES PAYABLE		0	0
OTHER LIABILITIES		1,483,927	1,664,251
REFUNDABLE ADVANCES		889,767	0
ALLOWANCE FOR POTENTIAL RATE ADJUSTMENTS		0	0
	TOTAL CURRENT LIABILITIES	26,028,154	32,680,189
LONG-TERM LIABILITIES			
DUE TO WELLNESS		4,114,131	3,444,697
DEFERRED FICA EXPENSE		2,134,974	509,710
NOTES PAYABLE		14,657,137	11,453,271
CAPITAL LEASES PAYABLE		0	0
DUE TO NEW YORK STATE/OPWDD		2,791,245	2,879,888
DUE TO NEW YORK CITY		3,367,642	
POST RETIREMENT BENEFIT OBLIGATION		518,610	518,610
DEFERRED RENT LIABILITY		1,387,306	1,174,782
ALLOWANCE FOR POTENTIAL RATE ADJUSTMENTS		3,860,340	5,296,697
	TOTAL LONG-TERM LIABILITIES	32,831,385	25,277,655
	TOTAL LIABILITIES	58,859,539	57,957,844
	NET ASSETS	10,169,067	11,240,447
	TOTAL LIABILITIES AND NET ASSETS	$69,028,606	$69,198,291

HEARTSHARE
FINAL CONSOLIDATED INCOME SUMMARY
07/01/20 - 02/28/21

PROGRAMS	REVENUE PASS-THROUGH	REVENUE OPERATING	EXPENSES PASS-THROUGH	EXPENSES OPERATING	DIRECT ADMIN. ALLOCATED FR. GEN.	TOTAL DIRECT EXPENSES	AMORTIZATION OF START UP, PROPERTY & EQUIPMENT	DIRECT EXPENSES LESS PROPERTY & EQUIPMENT	%	MANAGEMENT & GENERAL ALLOCATED	SURPLUS OR (DEFICIT)
SUPERVISED INDIVIDUAL RESIDENTIAL ALTERNATIVE PROGRAMS											
CLINTON RESIDENCE		927,328		736,200	70,560	806,761	46,481	760,279	1.01%	107,270	13,297
BOLLMANN FAMILY RESIDENCE		1,112,764		1,165,017	111,660	1,276,677	190,995	1,085,683	1.44%	153,182	(317,096)
WHITE RESIDENCE		1,165,606		813,877	78,005	891,882	66,718	825,164	1.09%	116,425	157,299
DOONAN DRAKE RESIDENCE		1,220,011		1,266,160	121,354	1,387,514	189,199	1,198,315	1.59%	169,074	(336,577)
CUITE RESIDENCE		1,119,641		855,092	81,956	937,048	105,344	831,704	1.10%	117,348	65,245
FERRARO RESIDENCE		1,509,398		1,133,501	108,639	1,242,140	78,598	1,163,543	1.54%	164,168	103,090
HART RESIDENCE		1,095,038		737,091	70,646	807,737	21,501	786,235	1.04%	110,932	176,369
BUCKLEY RESIDENCE		1,371,873		899,418	86,204	985,621	27,297	958,324	1.27%	135,213	251,038
SHARKEY RESIDENCE		1,324,323		1,096,934	105,135	1,202,068	64,505	1,137,563	1.50%	160,502	(38,247)
GOWANUS - 415 DEGRAW		1,728,329		1,403,554	134,522	1,538,077	103,642	1,434,435	1.90%	202,389	(12,137)
MIDWOOD - 1314 EAST 29TH STREET		1,354,082		1,224,504	117,362	1,341,866	180,484	1,161,381	1.54%	163,863	(151,646)
FLATBUSH - 627 EAST 31ST STREET		1,007,668		728,791	69,850	798,641	21,420	777,221	1.03%	109,661	99,366
TORRE - 54TH STREET		1,323,028		837,341	80,254	917,595	47,575	870,020	1.15%	122,754	282,679
35TH AVENUE		671,047		342,302	32,808	375,110	35,388	339,722	0.45%	47,932	248,005
SHARKEY II - CLOVERDALE BOULEVARD		687,433		581,930	55,775	637,705	30,140	607,565	0.80%	85,723	(35,995)
SHORT - COLUMBIA STREET		926,114		614,435	58,890	673,325	71,077	602,248	0.80%	84,973	167,815
ATTARDI -78TH STREET		458,754		302,423	28,985	331,408	15,334	316,074	0.42%	44,596	82,750
71-15 PARK AVENUE -3RD FLOOR		342,516		229,724	22,018	251,742	14,192	237,550	0.31%	33,517	57,257
SCIBELLI - 17-19 DONGAN		666,922		536,536	51,424	587,959	22,719	565,240	0.75%	79,752	(789)
145TH STREET		647,004		397,371	38,086	435,457	15,972	419,485	0.55%	59,186	152,360
ABATEMARCO - 85TH STREET		960,369		569,617	54,594	624,212	20,704	603,508	0.80%	85,151	251,006
SUBBIONDO - 214TH STREET		683,538		422,876	40,530	463,406	17,969	445,437	0.59%	62,848	157,284
GIANNATTASIO - BAY RIDGE AVENUE		722,674		555,880	53,278	609,158	69,488	539,670	0.71%	76,144	37,373
8224 BAY PARKWAY 1F		111,154		176,294	16,897	193,191	18,900	174,291	0.23%	24,591	(106,628)
DE SOLA - 1514 EAST 12TH STREET		954,699		660,866	63,340	724,206	114,459	609,747	0.81%	86,031	144,462
MOORE - 85 BARTLETT AVENUE		715,861		538,272	51,590	589,862	54,835	535,027	0.71%	75,489	50,510
HAGERTY RESIDENCE / 41ST STREET		809,862		640,928	61,429	702,357	83,948	618,410	0.82%	87,253	20,251
71-16 166TH STREET		709,246		438,558	42,033	480,591	56,770	423,821	0.56%	59,798	168,857
MDU - END PLACE		430,502		457,691	43,867	501,558	29,275	472,283	0.62%	66,636	(137,692)
TUNIE - POMPEII ROAD		666,926		637,039	61,056	698,095	60,313	637,782	0.84%	89,987	(121,156)
HEALY I - WOODHAVEN BOULEVARD 1ST FLOOR		585,991		725,316	69,517	794,834	79,086	715,747	0.95%	100,987	(309,830)
NOLAN - 1267 EAST 99TH STREET		666,926		555,523	53,244	608,766	75,326	533,441	0.71%	75,265	(17,105)
142-16 168TH STREET		446,857		365,349	35,017	400,365	47,003	353,362	0.47%	49,857	(3,365)
1452 EAST 66TH STREET		456,969		477,960	45,810	523,770	56,173	467,597	0.62%	65,975	(132,775)
1426 EAST 102ND STREET		457,249		388,392	37,225	425,617	59,031	366,587	0.48%	51,723	(20,091)
HEALY II - WOODHAVEN BOULEVARD 2ND FLOOR		417,545		268,642	25,748	294,390	47,284	247,106	0.33%	34,865	88,290
1441 EAST 92ND STREET		761,850		481,331	46,133	527,464	14,043	513,421	0.68%	72,440	161,945
84-29 153 AVE/2246 RALPH		325,256		423,580	40,598	464,178	57,059	407,119	0.54%	57,442	(196,363)
934 CARROL STREET - E1		469,440		324,939	31,144	356,083	30,823	325,260	0.43%	45,892	67,466
246 CLARKE AVENUE STATEN ISLAND		634,604		598,474	57,360	655,834	74,532	581,303	0.77%	82,018	(103,249)
150-39 120TH AVENUE		900,410		840,324	80,540	920,864	81,101	839,763	1.11%	118,485	(138,939)
83 EAST 18TH ST.#1A		234,682		271,370	26,009	297,380	21,319	276,061	0.37%	38,950	(101,648)
83 EAST 18TH ST.#2A		368,924		206,739	19,815	226,554	24,852	201,702	0.27%	28,459	113,912
83 EAST 18TH ST.#2B		392,506		273,523	26,216	299,739	25,250	274,489	0.36%	38,728	54,038
380 NEPTUNE AVE.#2C		129,427		155,003	14,856	169,859	33,442	136,417	0.18%	19,248	(59,680)
53 DREYER AVENUE		0		0	0	0	36	(36)	0.00%	(5)	5
83 EAST 18TH ST. #3A		382,878		189,198	18,134	207,332	24,351	182,980	0.24%	25,817	149,729
89 CLEARMONT AVENUE		755,954		670,489	64,262	734,752	64,252	670,500	0.89%	94,603	(73,401)
CALABRESE RESIDENCE - STATEN ISLAND - AUTISM		535,435		636,659	61,020	697,679	83,063	614,616	0.81%	86,718	(248,962)
1426 EAST 102ND ST-1ST		91,914		48,710	4,669	53,379	5,997	47,381	0.06%	6,685	31,850
		36,438,525		28,901,746	2,770,063	31,671,808	2,779,265	28,892,543	38.22%	4,076,538	690,179
SUPPORTIVE INDIVIDUAL RESIDENTIAL ALTERNATIVE PROGRAMS											

HEARTSHARE
FINAL CONSOLIDATED INCOME SUMMARY
07/01/20 - 02/28/21

PROGRAMS	REVENUE PASS-THROUGH	REVENUE OPERATING	EXPENSES PASS-THROUGH	EXPENSES OPERATING	DIRECT ADMIN. ALLOCATED FR. GEN.	TOTAL DIRECT EXPENSES	AMORTIZATION OF START UP, PROPERTY & EQUIPMENT	DIRECT EXPENSES LESS PROPERTY & EQUIPMENT	%	MANAGEMENT & GENERAL ALLOCATED	SURPLUS OR (DEFICIT)
SUPPORTIVE APARTMENTS		1,395,514		1,285,103	92,041	1,377,144	374,585	1,002,558	1.33%	141,454	(123,084)
SUPPORTIVE APARTMENTS- FEGS		198,935		190,712	13,659	204,371	52,631	151,740	0.20%	21,409	(26,845)
	0	1,594,449	0	1,475,814	105,700	1,581,514	427,216	1,154,298	1.53%	162,864	(149,929)
INTERMEDIATE CARE FACILITIES											
CARUANA RESIDENCE		1,248,763		1,143,148	97,845	1,240,993	136,722	1,104,271	1.46%	155,805	(148,035)
CRAIG EATON RESIDENCE		1,221,418		829,272	70,980	900,251	132,941	767,311	1.01%	108,262	212,904
		2,470,181		1,972,420	168,825	2,141,245	269,663	1,871,582	2.48%	264,067	64,869
COMMUNITY HABILITATION											
FAMILY COMMUNITY HAB.		214,575		97,437	45,070	142,507	3,513	138,994	0.18%	19,611	52,458
COMMUNITY HAB - DAY		58,222		50,343	23,286	73,629	1,816	71,814	0.09%	10,132	(25,540)
CLP COMMUNITY HAB.		20,802		93,565	5,075	98,640	611	98,028	0.13%	13,831	(91,669)
INDIVIDUAL SUPPORTS AND SERVICES - BROOKLYN		229,680		205,000	7,887	212,887	193,597	19,290	0.03%	2,722	14,072
INDIVIDUAL SUPPORTS AND SERVICES - FEGS		13,355		10,452	402	10,854	8,221	2,633	0.00%	372	2,130
	0	536,634	0	456,796	81,720	538,517	207,757	330,759	0.44%	46,668	(48,551)
SUPPORT BROKER SERVICE		0		6,705	0	6,705	0	6,705	0.01%	946	(7,651)
DAY HABILITATION											
LAVIN		1,506,455		1,558,692	109,206	1,667,898	434,787	1,233,111	1.63%	173,983	(335,426)
AIELLO		697,488		1,263,713	88,539	1,352,252	164,536	1,187,716	1.57%	167,578	(822,342)
HOFFMAN		1,271,983		1,683,280	117,935	1,801,215	576,506	1,224,709	1.62%	172,798	(702,030)
AIELLO -1 N		148,024		87,014	6,096	93,111	63,786	29,325	0.04%	4,138	50,775
AIELLO -1 S		153,963		110,282	7,727	118,009	81,126	36,884	0.05%	5,204	30,750
AIELLO -2 N		766,969		293,521	20,565	314,085	213,150	100,936	0.13%	14,241	438,642
DAY HAB #1 - QUEENS		1,289,298		905,846	63,466	969,312	388,234	581,079	0.77%	81,986	238,000
DAY HAB #2 - BROOKLYN		1,611,629		959,319	67,213	1,026,531	387,188	639,343	0.85%	90,207	494,891
DAY HAB #3 - BAY RIDGE		1,318,742		485,741	34,032	519,773	20,587	499,186	0.66%	70,432	728,537
DAY HAB #5- UNION TURNPIKE		1,216,231		1,286,069	90,106	1,376,175	583,791	792,384	1.05%	111,800	(271,744)
DAY HAB - BROOKLYN PACT		594,156		494,274	34,630	528,904	151,935	376,969	0.50%	53,188	12,064
DAY HAB - STATEN ISLAND PACT		302,322		267,738	18,759	286,497	83,384	203,113	0.27%	28,658	(12,832)
DAY HAB- AVENUE L		386,507		319,835	22,409	342,244	20,837	321,407	0.43%	45,348	(1,085)
DAY HAB-WITHOUT WALLS		167,990		120,692	8,456	129,148	5,335	123,813	0.16%	17,469	21,373
GROUP DAY HAB		23,553		45,224	3,169	48,393	464	47,929	0.06%	6,762	(31,602)
PRE-VOCATIONAL		107,219		96,282	6,746	103,028	737	102,291	0.14%	14,433	(10,242)
SUPPORTED EMPLOYMENT		83,256		111,216	7,792	119,008	1,148	117,860	0.16%	16,629	(52,381)
PATHWAY TO EMPLOYMENT		0		163	11	175	1	174	0.00%	25	(199)
DAY HAB TRANSPORTATION RESERVE		(2,000,000)									(2,000,000)
		9,645,784	0	10,088,900	705,857	10,795,758	3,177,531	7,618,226	10.08%	1,074,879	(2,224,853)

HEARTSHARE
FINAL CONSOLIDATED INCOME SUMMARY
07/01/20 - 02/28/21

PROGRAMS	REVENUE PASS-THROUGH	REVENUE OPERATING	EXPENSES PASS-THROUGH	EXPENSES OPERATING	DIRECT ADMIN. ALLOCATED FR. GEN.	TOTAL DIRECT EXPENSES	AMORTIZATION OF START UP, PROPERTY & EQUIPMENT	DIRECT EXPENSES LESS PROPERTY & EQUIPMENT	%	MANAGEMENT & GENERAL ALLOCATED	SURPLUS OR (DEFICIT)
EDUCATIONAL											
PRESCHOOL 4410		8,975,744		8,050,516	276 023	8,326,538	874 349	7,452 189	9.86%	1,051,452	(402,247)
PRESCHOOL INTEGRATED		473,410		466,622	15 999	482,621	43,016	439 605	0.58%	62 025	(71,236)
EVALUATIONS		27,303		70,448	2,415	72,863	5,249	67,614	0.09%	9 540	(55,100)
PRESCHOOL 1:1 AIDE		22,958		9,004	309	9,313	46	9,267	0.01%	1,307	12,337
PRESCHOOL UPK ONLY		140,226		133,425	4,575	138,000	29,827	108,173	0.14%	15,262	(13,036)
TEACHER'S CERTIFICATION		351		0	0	0	0	0	0.00%	0	351
GRANT 611(20-21)		162,330		142,224	0	142,224	376	141,848	0.19%	20 014	91
GRANT 619(20-21)		47,425		55,616	0	55,616	147	55,469	0.07%	7,826	(16,018)
COUNCIL AUTISM GRANT		29,353		24,867	853	25,720	129	25,590	0.03%	3,611	23
		9 879,099		8,952,723	300,173	9,252,896	953,139	8 299,756	10 98%	1,171,038	(544,835)
RESPITE											
AFTER SCHOOL		0		1,560	4,727	6,287	1,244	5,043	0.01%	711	(6,999)
AIELLO RECREATION		1,491		3,180	9,636	12,816	2,538	10,277	0.01%	1,450	(12,775)
RESPITE RECREATION BROOKLYN		9,798		4,844	20,421	25,265	4,345	20,920	0.03%	2,952	(18,419)
OPTIONS		33,902		29,247	0	29,247	357	28,890	0.04%	4,076	579
HOLIDAY OVERNIGHT		0		918	2,782	3,700	733	2,967	0.00%	419	(4,119)
CLUB HEARTSHARE		2,019		983	2,978	3,961	787	3,174	0.00%	448	(2,389)
RESPITE RECREATION QUEENS		7,234		1,648	4,993	6,641	94	6,547	0.01%	924	(331)
BROOKLYN HEELS AND WHEELS		66		708	2,145	2,853	565	2,289	0.00%	323	(3,110)
TGIS SOCIAL CLUB		1,249		509	1,543	2,052	411	1,642	0.00%	232	(1,035)
BROOKLYN HOME AWAY		215,046		34,979	105,981	140,960	27,905	113,055	0.15%	15,951	58,135
PSYCHOLOGICAL EVALUATION		9,512		6,504	1,277	7,781	109	7,672	0.01%	1,082	648
		280,317		85,081	156,482	241,564	39,088	202,476	0.27%	28,568	10,185
FUND RAISING / INVESTMENTS		454,120		283,563	0	283,563	15,334	268,229	0.35%	37,845	132,712
SPECIAL PROJECTS											
HEATING FUND/ENERGYSHARE		135,834		137,591	0	137,591	8,453	129,138	0.17%	18,221	(19,978)
HCBS ENVIRONMENTAL; MOD GRANTS		0		1,200	0	1 200	1,200	0	0.00%	0	(1,200)
ABILITY 360 GRANT		0		11,900	0	11,900	31	11,869	0.02%	1,675	(13,574)
DASNY GENERATOR GRANT		0		66,612	0	66,612	66,612	0	0.00%	0	(66,612)
TAFT FDN-HAST GRANT		0		(289)	0	(289)	0	(289)	0.00%	(41)	329
MOTHER CABRINI HEALTH FDN		55,556		111,443	0	111,443	252	111,192	0.15%	15,688	(71,576)
COVID GRANT IN DD ADMIN		0		0	0	0	0	0	0.00%	0	0
ARTSHARE GRANT		0		63,127	0	63,127	113	63,014	0.08%	8,891	(72,018)
MOTHER CABRINI FDN-NURS		155,556		0	0	0	0	0	0.00%	0	155,556
MOTHER CABRINI FDN-PRES		155,556		0	0	0	0	0	0.00%	0	155,556
VESID GRANT		2,622		6,554	0	6,554	16	6,538	0.01%	923	(4,855)
NYC SCHOOL BUILDING RENOVATION GRANT		800,000		0	0	0	0	0	0.00%	0	800,000
	0	1,305,123	0	398,139	0	398,139	76,676	321,463	0.43%	45,356	861,628

HEARTSHARE

FINAL CONSOLIDATED INCOME SUMMARY

07/01/20 - 02/28/21

PROGRAMS	REVENUE PASS-THROUGH	REVENUE OPERATING	EXPENSES PASS-THROUGH	EXPENSES OPERATING	DIRECT ADMIN. ALLOCATED FR. GEN.	TOTAL DIRECT EXPENSES	AMORTIZATION OF START UP, PROPERTY & EQUIPMENT	DIRECT EXPENSES LESS PROPERTY & EQUIPMENT	%	MANAGEMENT & GENERAL ALLOCATED	SURPLUS OR (DEFICIT)
TOTALS BEFORE RESTRICTED & PRIOR PERIOD	0	62,604,232	0	52,621,887	4,289,821	56,911,708	7,945,670	48,966,038	64.77%	6,908,769	(1,216,246)
RESTRICTED											
DD RESTRICTED		52,160		0	0	0	0	0	0.00%	0	52,160
FAMILY AND CHILDREN SVCS RESTRICTED		0		0	0	0	0	0	0.00%	0	0
PRESCHOOL		0		0	0	0	0	0	0.00%	0	0
WALL STREET FUND		0		0	0	0	0	0	0.00%	0	0
JASON WEINSTEIN MEMORIA		36		0	0	0	0	0	0.00%	0	36
		52,196		0	0	0	0	0	0.00%	0	52,196
PRIOR PERIOD ADJUSTMENTS											
CLINTON ()		1,138		0	0	0	0	0	0.00%	0	1,138
BOLLMANN ()		1,284		0	0	0	0				1,284
WHITE ()		2,439		0	0	0	0				2,439
DOONAN ()		2,896		0	0	0	0				2,896
CUITE ()		4,739		0	0	0	0				4,739
FERRARO ()		2,516		0	0	0	0				2,516
HART ()		2,414		0	0	0	0				2,414
BUCKLEY ()		5,194		0	0	0	0				5,194
SHARKEY ()		1,101		0	0	0	0				1,101
CARUANA ()		12,682		0	0	0	0				12,682
EATON RESIDENCE ()		10,315		0	0	0	0				10,315
GOWANUS ()		3,997		0	0	0	0				3,997
MIDWOOD ()		2,012		0	0	0	0				2,012
FLATBUSH ()		2,171		0	0	0	0				2,171
TORRE - 54th STREET ()		6,919		0	0	0	0				6,919
35TH AVENUE ()		3,862		0	0	0	0				3,862
SHARKEY II - CLOVERDALE BOULEVARD ()		2,733		0	0	0	0				2,733
SHORT - COLUMBIA STREET ()		4,209		0	0	0	0				4,209
ATTARDI - 78TH STREET ()		3,252		0	0	0	0				3,252
71-15 PARK AVENUE #1 ()		2,121		0	0	0	0				2,121
SCIBELLI - DONGAN HILLS ()		740		0	0	0	0				740
CURATOLA - 29-41 145TH STREET ()		966		0	0	0	0				966
ABATEMARCO - 2435 85TH STREET ()		2,929		0	0	0	0				2,929
71-15 PARK AVE. #2 ()		3,482		0	0	0	0				3,482
BAY RIDGE AVENUE ()		4,190		0	0	0	0				4,190
8224 BAY PARKWAY APT 2 ()		634		0	0	0	0				634
1514 EAST 12TH STREET ()		4,759		0	0	0	0				4,759
85 BARTLETT AVENUE ()		3,475		0	0	0	0				3,475
1123 41ST STREET ()		1,603		0	0	0	0				1,603
166TH STREET ()		2,880		0	0	0	0				2,880
END PLACE - MDU ()		1,084		0	0	0	0				1,084
POMPEII ROAD ()		3,508		0	0	0	0				3,508
WOODHAVEN BOULEVARD - 1 ()		419		0	0	0	0				419
1267 East 99th STREET ()		1,616		0	0	0	0				1,616
142-16 168TH STREET ()		2,020		0	0	0	0				2,020
1452 EAST 66TH STREET ()		2,358		0	0	0	0				2,358
EAST 102ND STREET ()		1,265		0	0	0	0				1,265
WOODHAVEN BOULEVARD - 2 ()		31,346		0	0	0	0				31,346
144 EAST 92ND STREET ()		2,482		0	0	0	0				2,482
2246 RALPH AVENUE - 1ST ()		143		0	0	0	0				143

HEARTSHARE FINAL CONSOLIDATED INCOME SUMMARY 07/01/20 - 02/28/21 PROGRAMS	REVENUE PASS-THROUGH	REVENUE OPERATING	EXPENSES PASS-THROUGH	EXPENSES OPERATING	DIRECT ADMIN. ALLOCATED FR. GEN.	TOTAL DIRECT EXPENSES	AMORTIZATION OF START UP, PROPERTY & EQUIPMENT	DIRECT EXPENSES LESS PROPERTY & EQUIPMENT	%	MANAGEMENT & GENERAL ALLOCATED	SURPLUS OR (DEFICIT)
934 CARROLL STREET APT ()		817		0	0	0	0				817
246 CLARKE AVE. S.I.		1,629		0	0	0	0				1,629
150-39 120TH AVENUE JAM		13,874		0	0	0	0				13,874
83 EAST 18TH ST.#1A		(462)		0	0	0	0				(462)
83 EAST 18TH ST.#2A		802		0	0	0	0				802
83 EAST 18TH ST #2B		1,130		0	0	0	0				1,130
380 NEPTUNE AVE.#2C		1,379		0	0	0	0				1,379
83 EAST 18TH ST. #3A		1,543		0	0	0	0				1,543
89 CLEARMONT AVENUE		1,652		0	0	0	0				1,652
CALABRESE-413 CORBIN AVE		2,218		0	0	0	0				2,218
STATEN ISLAND SPA RESPITE ()		(194)		0	0	0	0				(194)
FAMILY COMMUNITY HAB. ()		1,476		0	0	0	0				1,476
COMMUNITY HAB - DAY ()		327		0	0	0	0				327
CLP COMMUNITY HAB. ()		(69)		0	0	0	0				(69)
AT HOME ISS/ROOM AND BOARD ()		1,787		0	0	0	0				1,787
SUPPORTIVE APARTMENTS ()		16,578		0	0	0	0				16,578
SUPP. APT.- FEGS ()		4,871		0	0	0	0				4,871
PRESCHOOL ()		(133,333)		0	0	0	0				(133,333)
LAVIN ()		1,560		0	0	0	0				1,560
AIELLO ()		1,297		0	0	0	0				1,297
HOFFMAN ()		(2,481)		0	0	0	0				(2,481)
DAY HAB #1 ()		2,619		0	0	0	0				2,619
DAY HAB #2 ()		2,284		0	0	0	0				2,284
DAY HAB #3 ()		2,655		0	0	0	0				2,655
DAY HAB #5 ()		23,368		0	0	0	0				23,368
DAY HAB - BROOKLYN PACT ()		(1,112)		0	0	0	0				(1,112)
DAY HAB. - STATEN ISLAND PACT ()		(611)		0	0	0	0				(611)
DAY HAB- AVENUE L ()		(6,185)		0	0	0	0				(6,185)
DAY HAB-WITHOUT WALLS ()		94		0	0	0	0				94
DAY HAB - OPTS ()		(409)		0	0	0	0				(409)
DAY HAB - PRE-VOCATIONAL ()		1,897		0	0	0	0				1,897
SUPPORTED EMPLOYMENT AND PREVOCATIONAL SERVICES ()		78		0	0	0	0				78
RESPITE RECREATION ()		(465)		0	0	0	0				(465)
SCHOOL HOLIDAY ()		85		0	0	0	0				85
AIELLO RECREATION ()		60		0	0	0	0				60
HOLIDAY OVERNIGHT()		646		0	0	0	0				646
CLUB HEARTSHARE()		171		0	0	0	0				171
PARENT TRAINING ()		291		0	0	0	0				291
BROOKLYN HEELS & WHEELS ()		55		0	0	0	0				55
TGIS SOCIAL CLUB ()		31		0	0	0	0				31
HOME AWAY FROM HOME ()		822		0	0	0	0				822
		92,670		0	0	0	0	0	0.00%	0	92,670
CONTRIBUTION TO HSVS				0		0	0	0	0.00%	0	0
HEARTSHARE TOTALS		62,749,098		52,621,887	4,289,821	56,911,708	7,945,670	48,966,038	64.77%	6,908,769	(1,071,380)

APPENDIX C-V

THE INSTITUTES OF APPLIED HUMAN DYNAMICS INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF FEBRUARY 28, 2021)

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The Institutes of Applied Human Dynamics, Inc.
Balance Sheet - Preliminary & Unaudited
02.28.2021

	Preliminary *2/28/2021* Current Balance	Audited June 30, 2020	*Variance*
Assets			
Current assets:			
Cash and cash equivalents	$7,267,195	$2,580,220	$4,686,975
Accounts receivable	$5,316,097	$7,224,407	($1,908,310)
Estimated amounts due from third party payers	$1,265,762	$502,682	$763,080
Prepaid and other current assets	$509,043	$627,075	($118,032)
Participant deposits	$647,613	$857,697	($210,084)
Total Current assets:	**$15,005,709**	**$11,792,081**	**$3,213,629**
Due from affiliates, net			
Due from affiliates	$518,645	$556,750	($38,106)
Total Due from affiliates, net	**$518,645**	**$556,750**	**($38,106)**
Assets limited to use, net of current portion			
Assets limited as to use	$0	$0	$0
Total Assets limited to use, net of current portion	**$0**	**$0**	**$0**
Property and equipment			
Property and equipment	$14,737,004	$15,574,768	($837,764)
Total	**$14,737,004**	**$15,574,768**	**($837,764)**
Total Assets	**$30,261,358**	**$27,923,599**	**$2,337,759**
Liabilities and net assets			
Current liabilities:			
Line of Credit Advance	$1,500,000	$0	$1,500,000
Accounts payable and accrued expenses	$4,881,582	$4,325,388	$556,194
Accrued payroll and related taxes	$2,325,079	$2,389,672	($64,592)
Estimated amounts due to third parties	$911,762	$1,087,906	($176,144)
Participant deposits	$640,683	$857,697	($217,014)
Total Current Liabilities:	**$10,259,106**	**$8,660,662**	**$1,598,444**
Long term Liabilities			
Long-term Debt	$7,736,385	$8,077,364	($340,979)
Postretirement plan liability	$1,170,880	$1,170,880	$0
Total Long term debt	**$8,907,265**	**$9,248,244**	**($340,979)**
Net Assets			
Without donor restrictions	$11,023,345	$10,014,694	$1,008,651
With donor restrictions	$71,642	$0	$71,642
Total Fund Balance	**$11,094,987**	**$10,014,694**	**$1,080,293**
Total Liabilities and Fund Balance	**$30,261,358**	**$27,923,599**	**$2,337,759**

The Institutes of Applied Human Dynamics, Inc.
Budget to Actual
02.28.2021

	YTD Actual	YTD Budget	YTD Variance	%
Revenues and support				
Revenues	38,655,104	41,614,584	(2,959,480)	(7.1)%
Total Revenues	38,655,104	41,614,584	(2,959,480)	(7.1)%
Expenses				
Salaries	17,424,975	19,574,611	2,149,635	11.0 %
Overtime Wages	2,414,677	2,347,853	(66,824)	(2.8)%
Employee benefits	8,609,543	7,465,234	(1,144,309)	(15.3)%
Total personal services expense	28,449,195	29,387,697	938,502	3.2 %
Other than personal services expenses				
Professional fees	501,190	420,661	(80,530)	(19.1)%
Participant service supplies	419,639	577,634	157,995	27.4 %
Utilities	532,710	533,149	439	0.1 %
Telephone	288,831	240,685	(48,145)	(20.0)%
Transportation	905,055	3,224,749	2,319,694	71.9 %
Repairs and maintenance	701,692	709,996	8,304	1.2 %
Staff training and education	8,864	72,260	63,396	87.7 %
Postage	9,039	14,551	5,512	37.9 %
Dietary	287,880	353,181	65,301	18.5 %
Participant recreation	4,408	130,690	126,282	96.6 %
Insurance	812,844	801,522	(11,321)	(1.4)%
Interest	287,700	316,619	28,919	9.1 %
NYS facility assessment	218,654	350,470	131,817	37.6 %
Participant stipend	(1,000)	40,800	41,800	102.5 %
Depreciation and amortization	1,144,957	1,234,972	90,015	7.3 %
Other expenses	311,543	365,665	54,122	14.8 %
Rent	1,082,463	1,085,307	2,844	0.3 %
Participant clothing and other expenses	115,568	191,164	75,596	39.5 %
Lease	72,314	108,127	35,813	33.1 %
Contract labor	81,841	26,235	(55,607)	(212.0)%
Parking and traffic violations	10,042	9,068	(974)	(10.7)%
Vehicle fuel	74,005	125,502	51,497	41.0 %
Non-capital equipment	33,470	95,002	61,532	64.8 %
Software license and maintenance fees	292,280	256,467	(35,813)	(14.0)%
Office supplies	28,943	88,011	59,067	67.1 %
Startup expense		3,161	3,161	0.0 %
Purchased health services	108,938	67,819	(41,119)	(60.6)%
Special events	33,872	21,172	(12,700)	(60.0)%
Dues, fees and permits	140,198	59,111	(81,086)	(137.2)%
Bad debt	396,463	200,000	(196,463)	(98.2)%
Staff travel reimbursement	8,009	26,161	18,152	69.4 %
Cleaning services	197,446	357,619	160,173	44.8 %
Exterminator services	36,642	53,747	17,105	31.8 %
Garbage/Waste disposal	50,758	55,286	4,528	8.2 %
Total Other than personal service expense	9,197,258	12,216,564	3,019,306	24.7 %
Total Expenses	37,646,453	41,604,262	3,957,808	9.5 %
NET SURPLUS/(DEFICIT)	1,008,651	10,320	998,329	9,673.3 %

APPENDIX C-VI

QSAC, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF FEBRUARY 28, 2021)

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Q S A C

Un-Audited Financial Statements

July 1, 2020 - February 28, 2021

QSAC, INC.
Statement of Financial Position
February 28, 2021

Assets		
Cash and cash equivalents	$	10,771,600
Certificate of deposit		1,213,306
Program services receivable, net		11,007,491
Prepaid expenses and other assets		6,393,041
Debt service reserve funds		39,937
Property and equipment		14,274,560
Total Assets	$	43,699,934
Liabilities & Net Assets		
Liabilities		
Accounts payable and accrued expenses	$	3,592,965
Accrued salaries and related benefits		8,677,333
Due to governmental agencies		1,817,821
Deferred rent payable		3,698,837
Loans payable, net		14,924,679
Capital lease obligations, net		746,865
Total Liabilities		33,458,499
TOTAL NET ASSETS		10,241,435
TOTAL LIABILITIES AND NET ASSETS	$	43,699,934

QSAC, INC.
Statement of Revenue and Expense
For the Period: 7/01/20 - 02/28/21

Revenue	
Program service fees	47,675,345
Government grants and contracts	1,380,443
Contributions and grants	452,333
Other revenue	1,395,568
Special events, net	26,418
Total Revenue	50,930,107
Expenses	
Salaries	28,390,827
Fringe benefits	10,624,709
Grants and other assistance to individuals	383,157
Grants released from restrictions	455,131
Contracted services	1,094,735
Audit and accounting fees	76,445
Legal fees	23,265
Fingerprinting	3,810
Medical supplies	65,212
Occupancy	5,438,864
Office expense	809,950
Travel	800,827
Conferences, conventionsand meetings	11,208
Insurance	1,154,456
Information technology	588,549
Advertising dues and subscriptions	131,048
Consumer-related expenses	605,267
Interest	358,949
Miscellaneous expense	5,579
Depreciation expense	552,431
Total Expenses	51,574,418
Excess or (Deficiency) of Revenue Over Expenses	(644,310)

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APPENDIX C-VII

YOUNG ADULT INSTITUTE, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF FEBRUARY 28, 2021)

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YAI Seeing beyond disability.

Statement of Financial Position

July 1, 2020 through February 28, 2021

	Unaudited
Assets:	**07/01/2020-02/28/21**
Cash & Cash Equivalents	3,386,479
Investments	21,751,525
Accounts Receivable	29,037,320
Other Receivables	21,170,097
Prepaid expenses and other receivables	6,735,266
Property and equipment	51,229,554
Debt Service Reserve	3,103,426
Total Assets	**136,413,667**
Liabilities:	
Accounts payable and accrued expenses	9,786,685
Accrued Pension	1,520,422
Accrued Salary	10,913,020
Accrued Vacation	4,680,612
Capital lease obligations	2,256,604
Deferred Rent	1,265,750
Due to Funding Sources	4,044,316
Other Liabilities	8,804,504
Notes and mortgages payable	60,773,685
Total Liabilities	**104,045,597**
Net Assets	
Net assets with donor restrictions	1,573,716
Net assets without donor restrictions	30,794,353
Total Net Assets	**32,368,069**
Total Liabilities & Net Assets	**136,413,667**

YAI Seeing beyond disability.

Statement of Activities
July 1, 2020 through February 28, 2021

Revenue and Support:	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Unaudited Net Assets Total
Medicaid & Medicare	97,943,916		97,943,916
Government Contracts	12,133,079		12,133,079
Client Fees	6,003,227		6,003,227
Other Revenues	6,495,752	-	6,495,752
Contributions	493,925	139,848	633,772
Net Assets Released from Restriction	21,213	(21,213)	
Total Revenue and Support	**123,091,112**	**118,635**	**123,209,747**
Expenses:			
Salary & Fringe Benefits	92,924,280		92,924,280
OTPS	32,515,153		32,515,153
Total Expenses	**125,439,433**	**-**	**125,439,433**
Change in Net Assets	**(2,348,322)**	**118,635**	**(2,229,687)**
Beginning Balance Net Assets	33,142,675	1,455,081	34,597,756
Ending Balance Net Assets	**30,794,353**	**1,573,716**	**32,368,069**

APPENDIX D

CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined in the Resolution, the Series 2021A Resolution or the Loan Agreements and used in this Official Statement.

Account means each account created and established in any fund under the Resolution as created and established pursuant to the Applicable Series Resolution, including each Project Loan Account and each Debt Service Account.

Accounts Receivable means, with reference to a Participant, all of a Participant's accounts receivable derived from the use or operation of any of its properties, including the Project Property, but excluding Pledged Revenues.

Act means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law), as amended from time to time, including but not limited to, Chapter 471 of the Laws of 2009, Chapter 299 of the Laws of 2017, the Health Care Financing Consolidation Act and as incorporated thereby the New York State Medical Care Facilities Finance Act, being Chapter 392 of the Laws of New York 1973, as amended, McKinney's Unconsolidated Laws, Sections 7411 to 7432, inclusive.

Administration Agreement means the Administration Agreement, dated as of June 1, 2021, among DASNY, the Program Facilitator and the Series Participants.

Allocable Portion means with respect to a Series of Bonds, an Applicable Participant's proportionate share of certain obligations arising under such Series of Bonds from time to time and under the Applicable Loan Agreement, particularly with respect to the Debt Service Reserve Fund Requirement, if any, the Arbitrage Rebate Fund and Costs of Issuance, in each case corresponding to the principal amount of the Applicable Loan made to such Participant by DASNY with proceeds of such Series of Bonds and determined by the Applicable Series Resolution or Applicable Bond Series Certificate; provided, however, that with respect to the payment of principal, Sinking Fund Installments and Redemption Price, if any, of and interest on such Series of Bonds, Allocable Portion shall mean that portion of each such payment designated in Exhibit D attached to the Applicable Loan Agreement as being allocable to such Participant, as the same may be adjusted from time to time to reflect any prepayments of the Applicable Loan by or on behalf of such Participant.

Annual Administrative Fee means the annual fee for the general administrative expenses of DASNY in the amount or percentage stated in each of the Loan Agreements relating to the Loans made thereunder.

Applicable means:

(i) with respect to a particular Loan or Project referred to in the Resolution, the Loan and the Project established and undertaken with respect to a particular Participant and particular Project as described in a particular Loan Agreement;

(ii) with respect to any Account, the Account established with respect to a particular Participant in connection with such Participant's Allocable Portion of a particular Series of Bonds;

(iii) with respect to any Series Resolution, the Series Resolution relating to a particular Projects or Projects and/or a particular Series of Bonds;

(iv) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for a particular Project or Projects for the particular Participant or Participants;

(v) with respect to any Loan Agreement, the Loan Agreement entered into by and between a particular Participant and DASNY, relating to a particular Project or Projects for such Participant financed or refinanced with such Participant's Allocable Portion of a particular Series of Bonds;

(vi) with respect to a Bond Series Certificate, such certificate authorized pursuant to a particular Series Resolution;

(vii) with respect to any Supplemental Resolution, any such Resolution supplementing a particular Series Resolution;

(viii) with respect to a Participant, the Participant undertaking the obligations set forth in the Applicable Loan Agreement;

(ix) with respect to a Paying Agent, the Paying Agent accepting the responsibility to perform the obligations set forth therefor with respect to a particular Series of Bonds;

(x) with respect to Revenues, the Revenues pledged to the payment of a particular Series of Bonds pursuant to the Resolution and an Applicable Series Resolution;

(xi) with respect to Pledged Revenues, the Pledged Revenues pledged by the Participants as security for their respective obligations under the Applicable Loan Agreements; and

(xii) with respect to a Facility Provider, the Facility Provider that has provided a Reserve Fund Facility with respect to a particular Series of Bonds.

Applicable State Agency means OPWDD, OMH, OASAS or any other division, department, office or agency of the State that is a source of Pledged Revenues of a Participant whether as PPA Revenues or Non-PPA Revenues.

Arbitrage Rebate Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Authority Fee means a fee payable to DASNY upon the issuance of any Series of Bonds authorized under the Resolution in an amount set forth in the Applicable Series Resolution, unless otherwise provided in the Applicable Series Resolution or Applicable Bond Series Certificate.

Authorized Newspaper means The Bond Buyer or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by DASNY.

Authorized Officer means (i) in the case of DASNY, the Chair, the Vice Chair, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Managing Director of Public Finance and Portfolio Monitoring, the Managing Director of Construction, the General Counsel, the Secretary and any Assistant Secretary, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of DASNY to perform such act or execute such document; (ii) in the case of any Participant, the person or persons authorized by a resolution or the by-laws of such Participant to perform any act or execute any document; (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of such Trustee or the by-laws of such Trustee; and (iv) in the case of any Insurer, the person or persons authorized by a resolution or bylaws of the Insurer to perform any act or execute any document.

Balloon Indebtedness means, with reference to any Participant, (i) long-term Indebtedness, or short-term Indebtedness which is intended to be refinanced upon or prior to its maturity (and which short-term Indebtedness is subject to a commercially reasonable binding commitment for such refinancing) so that such short-term Indebtedness will be outstanding, in the aggregate, for more than one year as certified in a certificate of an Authorized Officer of such Participant delivered to DASNY and the Trustee, twenty-five percent (25%) or more of the initial principal amount of which matures (or is payable at the option of the holder) in any twelve month period, or (ii) long-term Indebtedness, or short-term Indebtedness which is intended to be refinanced upon or prior to its maturity (and which short-term Indebtedness is subject to a commercially reasonable binding commitment for such refinancing) so that such short-term Indebtedness will be outstanding, in the aggregate, for more than one year as certified in a certificate of an Authorized Officer of such Participant delivered to DASNY and the Trustee, twenty-five percent (25%) or more of the initial principal amount of which is payable at the option of the holder in any twelve month period, if such twenty-five percent (25%) or more is not to be amortized to below twenty-five percent (25%) by mandatory redemption prior to such twelve month period, or (iii) any portion of an issue of long-term Indebtedness which, if treated as a separate issue of Indebtedness would meet the test set forth in clause (i) of this definition and which Indebtedness is designated as Balloon Indebtedness in a certificate of an Authorized Officer of such Participant delivered to DASNY and the Trustee stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

Bond or **Bonds** means the InterAgency Council Pooled Loan Program Revenue Bonds and any of the bonds of DASNY authorized pursuant to the Resolution and issued pursuant to an Applicable Series Resolution.

Bond Counsel means an attorney or a law firm, appointed by DASNY with respect to a particular Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bond Series Certificate means a certificate of an Authorized Officer of DASNY fixing terms, conditions and other details of Bonds of a Series in accordance with the delegation of power to do so under a Series Resolution.

Bond Year means, unless otherwise provided in an Applicable Series Resolution or Applicable Bond Series Certificate, a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

Bondholder, Holder of Bonds, Owner or **Holder** or any similar term, when used with reference to a Bond or Bonds of a Series, means the registered owner of any Outstanding Bonds of such Series.

Book Entry Bond means any Bond issued hereunder in book entry form pursuant to the Resolution.

Business Day means, unless otherwise defined with respect to Bonds of a Series in an Applicable Series Resolution or Applicable Bond Series Certificate, any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Comptroller means the Comptroller of the State of New York.

Contract Documents means any general contract or agreement for the construction of a Project Property, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general requirements, supplemental general requirements, bonds, plans and specifications, addenda, change orders, and any other documents entered into or prepared by or on behalf of a Participant relating to the construction of a Project Property, and any amendments to the foregoing.

Contribution Amounts means amounts received by a Participant and deposited in the Applicable Project Loan Account of the Project Loan Fund or the Applicable Debt Service Account of the Debt Service Fund pursuant to the Applicable Loan Agreement, which amounts shall constitute Revenues.

Cost or Costs of Issuance means the item or items of expense incurred in connection with the authorization, sale and issuance of Bonds authorized under the Resolution, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for Municipal Bond Insurance Policies for such Bonds or for Mortgage Insurance Policies, costs and expenses of refunding such Bonds and other costs, charges and fees, including those of DASNY, in connection with the foregoing.

Cost or Costs of the Project means, with respect to an Applicable Project or any portion thereof, costs and expenses or the refinancing of costs and expenses determined by DASNY to be necessary in connection therewith, including, but not limited to, (i) costs and expenses of the acquisition of the title to (including premiums and other charges in connection with obtaining title insurance) or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen for the acquisition, construction, reconstruction, rehabilitation, renovation, repair and improvement of such Project, (iii) the cost of surety bonds and insurance of all kinds that may be required or necessary prior to completion of such Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of such Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Applicable Participant shall be required to pay for the acquisition, construction, reconstruction, rehabilitation, renovation, repair, improvement and equipping of such Project, (vii) any sums required to reimburse the Applicable Participant or DASNY for advances made by either of them for any of the above items or for other costs incurred and for work done by either of them in connection with such Project (including interest on moneys borrowed from parties other than such Applicable Participant), (viii) interest on the Bonds of a Series prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, renovation, repair, improvement or equipping of such Project, and (ix) fees, expenses and liabilities of DASNY incurred in connection with such Project or pursuant to the Resolution, to the Applicable Series Resolution or to any Applicable Loan or Applicable Loan Agreement.

DASNY means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the rights, powers, duties and functions of DASNY.

Debt Service Account means each of the respective accounts so designated, created and established in the Applicable Debt Service Fund pursuant to the Applicable Series Resolution.

Debt Service Fund means the fund so designated, created and established for a Series of Bonds by an Applicable Series Resolution pursuant to the Resolution.

Debt Service Reserve Fund means a reserve fund, if any, for the payment of the principal and Sinking Fund Installments of and interest on a Series of Bonds, so designated, created and established by DASNY by or pursuant to an Applicable Series Resolution.

Debt Service Reserve Fund Requirement means the amount of moneys required to be deposited in the Debt Service Reserve Fund, if any, established with respect to a Series of Bonds as determined in accordance with the Applicable Series Resolution or Applicable Bond Series Certificate.

Defaulted Allocable Portion means with respect to an event of default on a particular Series of Bonds pursuant to the Resolution, that portion of each maturity of such Series of Bonds then Outstanding that corresponds to a principal installment on a defaulting Participant's Applicable Loan under the terms of the Applicable Loan Agreement, in each case as determined by the Trustee in the manner set forth in the Resolution.

Defeasance Security means:

(i) a Government Obligation of the type described in clauses (i), (ii) or (iii) of the definition of Government Obligation;

(ii) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligation; and

(iii) an Exempt Obligation, provided such Exempt Obligation (a) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (b) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (a) above, (c) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (a) above, and (d) is rated by at least two nationally recognized statistical rating services in the highest rating category for such Exempt Obligation;

provided, however, that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

Excess Earnings means, with respect to an Applicable Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

Exempt Obligation means:

(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a "specified private activity bond" within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, no lower than the second highest rating category for such obligation by at least two Rating Services; and

(ii) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1940, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of $1.00 and which, at the time such investment is rated, no lower than the second highest rating category for such obligation by at least two Rating Services.

Facility Provider means the issuer of a Reserve Fund Facility.

Federal Agency Obligation means:

(i) an obligation issued by any federal agency or instrumentality rated no lower than the second highest rating category for such obligation by at least two Rating Services;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency or instrumentality, and which is rated no lower than the second highest rating category for such obligation by at least two Rating Services;

(iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(iv) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations and whose objective is to maintain a constant share value of $1.00.

Fiscal Year means, with reference to a Participant, the duly adopted fiscal year of the Participant.

Fitch means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

Government Obligation means:

(i) a direct obligation of the United States of America;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by the United States of America;

(iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and

(iv) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations and whose objective is to maintain a constant share value of $1.00.

Governmental Requirements means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to any Project or any Project Property, of the United States, the State and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them, now existing or hereafter created, and having or asserting jurisdiction over any Project or any Project Property or any part of either.

Gross Proceeds means, with respect to an Applicable Series of Bonds, unless inconsistent with the provisions of the Code, (i) amounts received by DASNY from the sale of such Series of Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Debt Service Reserve Fund, if any, established with respect to such Series of Bonds, (v) securities or obligations pledged by DASNY or the Participant as security for payment of debt service on such Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on such Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code.

Indebtedness means, with respect to a Participant, without duplication, (i) all obligations of such Participant recorded or required to be recorded as liabilities on the balance sheets thereof for the payment of moneys incurred or assumed by such Participant as determined in accordance with generally accepted accounting principles consistently applied (exclusive of reserves such as those established for deferred taxes) and (ii) all contingent obligations in respect of, or to purchase or otherwise acquire or service, indebtedness of other persons, including but not limited to guarantees and endorsements (other than for purposes of collection in the ordinary course of business) of indebtedness of other persons, obligations to reimburse issuers of letters of credit or equivalent instruments for the benefit of any person, and contingent obligations to repurchase property theretofore sold by such contingent obligor. For the purposes of calculating Indebtedness for any period with respect to any Balloon Indebtedness, the Participant may, at its option, by a certificate of an Authorized Officer of such Participant delivered to DASNY and the Trustee at the end of each Fiscal Year, direct that such Indebtedness may be calculated assuming that (i) the principal of such Indebtedness that is not amortized is amortized on a level debt service basis from the date of calculation thereof over a term not to exceed thirty (30) years, and (ii) interest is calculated at (A) the actual rate (if such rate is not variable or undeterminable) or (B) if such rate is variable or undeterminable, an assumed rate derived from The Bond Buyer Thirty-year Revenue Bond Index published immediately prior to the date of calculation, as certified in a certificate of an Authorized Officer of such Participant delivered to DASNY and the Trustee; provided that if such index is at such time not being published a comparable index reasonably acceptable to DASNY and the Trustee may be used.

Insurance Consultant means, with reference to a Participant, a person or firm which is qualified to survey risks and to recommend insurance coverage for a Participant's facilities and services and organizations engaged in like operations and which is selected by the Applicable Participant.

Intercept Agreement means, when used with respect to a Participant, any agreement or agreements between the Participant and an Applicable State Agency or Agencies or a letter or letters from the Participant to an Applicable State Agency, as acknowledged by the Applicable State Agency, dated or effective the date of the issuance of the Series 2021A Bonds, as may be amended and supplemented from time to time, regarding the deduction, withholding and/or payment of Public Funds, in an amount required by the Loan Agreement to DASNY or the Trustee.

Investment Agreement means an agreement for the investment of moneys with a Qualified Financial Institution.

Letter of Credit means, with respect to an Applicable Series of Bonds, an irrevocable letter of credit, or as appropriate, a confirmation or confirming letter of credit, issued in favor of DASNY or the Trustee, as the case may be, in form and substance satisfactory to DASNY, and the Applicable Insurer, if any, or the Trustee, as the case may be, which is issued by a Qualified Financial Institution, and is accompanied by a legal opinion or opinions addressing the enforceability thereof.

Loan means each loan made by DASNY to the Participants pursuant to the provisions of the Resolution, the Applicable Series Resolution and the Applicable Loan Agreement relating thereto in an amount equal to the Participant's Allocable Portion of the principal amount of a Series of Bonds. Each Loan shall relate to a particular Project or Projects for a particular Participant including amounts required to pay such Participant's Allocable Portion of the Costs of Issuance, Costs of the Project related to such Loan and the Debt Service Reserve Fund Requirement, if any, established for such Series of Bonds.

Loan Agreement or **Loan Agreements** mean each of the Loan Agreements or other agreement, between DASNY and the Applicable Participant in connection with each Loan made under the Resolution, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by the Loan Agreement.

Loan Repayments means the scheduled monthly payments of principal of and interest on the Loan paid by a Participant pursuant to the Applicable Loan Agreement.

Management Consultant means, with reference to a Participant, a nationally recognized accounting or management consulting firm or other similar firm, experienced in reviewing and assessing operations of organizations similar to the Participants, acceptable to DASNY.

Moody's means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

Mortgage means, collectively, any fee or leasehold mortgage or mortgages granted by any of the Participants, or a party related to any Participant, to DASNY in connection with the granting of a particular Loan under the Resolution, in form and substance satisfactory to DASNY, on the Mortgaged Property mortgaged in connection therewith, as security for the performance of said Participants' obligations under the Applicable Loan Agreement, as such Mortgage may be amended or modified as provided in such Loan Agreement.

Mortgaged Property means the land or interest therein described in any Mortgage and the buildings and improvements thereon or thereafter erected thereon and the fixtures, furnishings and equipment owned by the Applicable Participant and now or hereafter located therein or thereon.

Non-PPA Expenses means, with reference to a Participant, all operating and nonoperating expenses of such Participant other than PPA Expenses.

Non-PPA Facility means, with reference to a Participant, any Project Property of such Participant or portion thereof which is, or was, not subject to the Prior Property Approval process incorporated in New York State Codes, Rules and Regulations, Title 14, Parts 681, 686 and 690, as amended from time to time.

Non-PPA Indebtedness means, with reference to a Participant, any Indebtedness incurred by such Participant to finance, in whole or in part, a Non-PPA Facility. Indebtedness incurred by such Participant with respect to a Project Property only a portion of which constitutes a Non-PPA Facility shall constitute Non-PPA Indebtedness to the extent such Indebtedness financed the Non-PPA Facility portion of such Project Property.

Non-PPA Revenues means, with reference to a Participant, all operating and nonoperating revenues of such Participant other than PPA Revenues.

OASAS means the New York State Office of Addiction Services and Supports (formerly known as the New York State Office of Alcoholism and Substance Abuse Services), any successor or assign.

Official Statement means an official statement or other offering document relating to and in connection with the sale of any Bonds of a Series.

OMH means the New York State Office of Mental Health, any successor or assign.

OPWDD means the New York State Office for People with Developmental Disabilities (formerly known as the New York State Office of Mental Retardation and Developmental Disabilities), any successor or assign.

Outstanding, when used in reference to an Applicable Series of Bonds means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under the Applicable Series Resolution except: (i) any such Bond cancelled by the Trustee at or before such date; (ii) any such Bond or Bonds deemed to have been paid in accordance with the Resolution; and (iii) any such Bond or Bonds in lieu of or in substitution for which another such Bond shall have been authenticated and delivered pursuant to the Resolution.

Participant or **Participants** collectively means each or all of the not-for-profit members of the Program Facilitator for whose benefit DASNY shall have issued Bonds under the Resolution and with whom DASNY shall have executed one or more Loan Agreements as particularly defined in the Applicable Series Resolution.

Paying Agent means, with respect to a Series of Bonds, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of the Applicable Series Resolution, the Applicable Bond Series Certificate or any other resolution of DASNY adopted prior to authentication and delivery of such Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Permitted Collateral means:

(i) Government Obligations described in clauses (i) or (ii) of the definition of Government Obligations;

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations;

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category;

(iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company (a) that has an equity capital of at least $125,000,000, (b) is rated by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category, and (c) which regularly deals in such agreements, bonds or instruments; and

(v) bankers' acceptances that (a) mature within three hundred sixty-five (365) days after its date of issuance, and (b) are issued by a bank rated in the highest short term rating category by at least one Rating Service.

Permitted Encumbrances means with respect to a Participant, (i) the Applicable Loan Agreement; (ii) the Resolutions; (iii) the Mortgage, if any; (iv) any instrument recorded pursuant to the Loan Agreement; (v) any encumbrances or matters set forth in the Applicable Loan Agreement, including matters referred to in any title insurance policy described in the Loan Agreement and accepted by DASNY; (vi) any mortgage or other lien or encumbrance in connection with any additional Bonds issued under the Resolution approved in writing by DASNY; (vii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default; (viii) with respect to each Participant, utility, access and other easements and rights-of-way, restrictions and exceptions that will not interfere with or impair the Participant's use of its Project Property; (ix) as to any Project Property, such minor defects, irregularities, encumbrances, easements, rights-of-way (including agreements with any railroad the purpose of which is to service a railroad siding) and clouds on title as normally exist with respect to property similar in character to the Project Property and as do not, in the opinion of counsel acceptable to DASNY, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired and operated under this Loan Agreement; (x) any mechanics', workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if payment is not yet due and payable, all if and to the extent permitted by the Mortgage, if any; (xi) with respect to each Participant, any subordinate mortgage granted as security for bonds issued by DASNY or another issuer of bonds after the date of issuance of the Bonds, up to an amount approved by OPWDD, OMH or OASAS, as applicable, for the purpose of financing the cost of renovating, constructing, equipping or completing a Project or a Project Property, and any loan agreement, or any related company lease and installment sale agreement between the Participant and the issuer of such bonds leasing or selling such Project Property, any indenture of trust between such issuer and a trustee with respect to such bonds, or any building loan agreement among the Issuer of such bonds, the Participant and a trustee, in each case in connection with such financing; and (xii) any other encumbrances or matters approved in writing by DASNY after the date of delivery of the Bonds.

Permitted Investments means:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

(iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;

(v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than $125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized statistical rating service in at least the second highest rating category, and (b) fully collateralized by Permitted Collateral;

(vi) Investment Agreements that are fully collateralized by Permitted Collateral; and

(vii) Permitted Collateral of the type described in clauses (iii) and (v) of the definition of Permitted Collateral.

Person means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Pledged Revenues means, with reference to a Participant, the revenues of the Participant constituting the Public Funds attributable to the Applicable Project or the Project Property.

PPA Expenses means, with reference to a Participant, all operating and nonoperating expenses properly incurred by such Participant with respect to a PPA Facility in accordance with the Prior Property Approval received by such Participant with respect to such PPA Facility.

PPA Facility means, with reference to a Participant, any facility of such Participant which was, or will be, approved by OPWDD pursuant to the Prior Property Approval process incorporated in New York State Codes, Rules and Regulations, Title 14, Parts 681, 686 and 690, as amended from time to time.

PPA Revenues means, with reference to a Participant, revenues received by such Participant with respect to a PPA Facility intended to amortize the PPA Expenses incurred with respect to such PPA Facility.

Prior Pledges means, with reference to the Pledged Revenue of a Participant, any liens, pledges, charges, encumbrances and security interests made and given by a Participant to secure prior obligations of such Participant as described in such Loan Agreement, and any replacement of any credit facility referenced in such Loan Agreement which does not exceed the total amount available to the Participant under such existing credit facility.

Prior Property Approval or **PPA** means the pre-approval by OPWDD of a Project Property of a Participant for reimbursement of amounts calculated to be sufficient to pay the principal and interest costs incurred by the Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Project Property, in each case subject to annual appropriation by the State Legislature and so long as the Participant operates the Project Property in accordance with certain defined standards.

Program Facilitator means Interagency Council of Developmental Disabilities Agencies, Inc., as program facilitator under the Administration Agreement, and its successors in such capacity.

Project or **Projects** means, with respect to each Participant and each Loan under the Resolution, the acquisition, financing, refinancing, construction, reconstruction, renovation, development, improvement, expansion and equipping of certain educational, administrative, clinical, day program and residential facilities to be located in the State, which may include more than one part, financed in whole or in part from the proceeds of the sale of an Applicable Series of Bonds or any portion thereof, as more particularly described and designated the Applicable Series Resolution.

Project Loan Account means each of the respective accounts or subaccounts so designated, created and established in the Applicable Project Loan Fund by an Applicable Series Resolution.

Project Loan Fund means the fund so designated and established for a Series of Bonds by an Applicable Series Resolution.

Project Property or **Series 2021A Facility** means the administrative, educational, clinical, day program and residential facilities and other attendant and related facilities owned or leased by a Participant and used in furtherance of the Participant's corporate purposes, including real property constituting the sites of such facilities and personal property located thereat, that are the subject of a Project described in the Applicable Loan Agreement. In the event that such Applicable Loan Agreement describes two or more Projects, depending on the context, the property that is the subject of one of the Projects or the properties that are the subject of all of the Projects (also referred to herein as the "Project Properties").

Public Funds means, with reference to a Participant, all moneys appropriated, apportioned or otherwise payable to a Participant by the Federal government, any agency thereof, the State, any agency of the State, a political subdivision, as defined in Section 100 of the General Municipal Law, any social services district in the State or any other governmental entity, including any Applicable State Agency.

Purchased Bonds means Bonds of a Series purchased by or at the direction of an Applicable Participant pursuant to the provisions of the Applicable Series Resolution or Applicable Bond Series Certificate as authorized by the Resolution.

Qualified Financial Institution means any of the following entities that has an equity capital of at least $125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least $125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America, whose unsecured long term debt or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, is, at the time an investment with it is made, rated by at least one Rating Service no lower than in the second highest rating category;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity or which is a subsidiary of a foreign insurance company, whose senior unsecured long term debt or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, is, at the time an investment with it is made, rated by at least one Rating Service no lower than in the second highest rating category;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, the Student Loan Marketing Association or any successor thereto, or any other federal agency or instrumentality approved by DASNY; or

(v) a corporation whose obligations, including any investments of any moneys held hereunder purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

Rating Service means each of Fitch, Moody's and S&P, in each case, which has assigned a rating to Outstanding Bonds of the Applicable Series at the request of DASNY, or their respective successors and assigns.

Record Date means, unless otherwise defined with respect to Bonds of a Series in an Applicable Series Resolution or Applicable Bond Series Certificate, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Redemption Price means, when used with respect to a Series of Bonds, the principal amount of such Bonds plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution or to the Applicable Series Resolution or Applicable Bond Series Certificate; provided, however, when used with respect to an extraordinary mandatory redemption of a Defaulted Allocable Portion of a Series of Bonds, Redemption Price shall have the meaning set forth in the Resolution.

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

Reserve Fund Facility means a surety bond, insurance policy or Letter of Credit authorized by or pursuant to a Series Resolution establishing a Debt Service Reserve Fund to be delivered in lieu of or substitution of all or a portion of the moneys otherwise required to be held in such Debt Service Reserve Fund.

Resolution means the InterAgency Council Pooled Loan Program Revenue Bond Resolution, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions hereof.

Revenues mean, with respect to a particular Series of Bonds, all payments received or receivable by DASNY (including Contribution Amounts and Public Funds) pursuant to each of the Applicable Loan Agreements, which payments are to be paid to the Trustee, except (i) payments to such Trustee for the administrative costs and expenses or fees of such Trustee, (ii) payments to such Trustee for deposit to the Arbitrage Rebate Fund, and (iii) the Annual Administrative Fee.

S&P means Standard & Poor's Ratings Service, a division of The McGraw Hill Corporation, a corporation organized and existing under the laws of the State, and its successors and assigns.

Serial Bonds means the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate.

Series means all of the Bonds authenticated and delivered on original issuance and pursuant the Resolution and an Applicable Series Resolution, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Series Participants means the Participants and each other member of the Program Facilitator which borrows from DASNY a portion of the proceeds of the Bonds.

Series Resolution means a resolution of the members of DASNY authorizing the issuance of a Series of Bonds, adopted by DASNY pursuant to the Resolution.

Series 2021A Resolution means DASNY's Series 2021A Resolution Authorizing Up To $40,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2021A, adopted by DASNY on May 5, 2021, as the same may be amended, supplemented or otherwise modified pursuant to the terms thereof.

Sinking Fund Installment means, with respect to any Series or Subseries of Bonds, as of any date of calculation and with respect to any Bonds of such Series or Subseries, so long as any such Bonds are Outstanding, the amount of money required by the Applicable Series Resolution or the Applicable Bond Series Certificate to be paid on a single future July 1 for the retirement of any Outstanding Bonds of such Series which mature after such future July 1, but does not include any amount payable by DASNY by reason only of the maturity of such Bond, and such future July 1 is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment.

State means the State of New York.

Subseries means the grouping of Bonds of a Series established by DASNY pursuant to the Applicable Series Resolution or the Applicable Bond Series Certificate.

Supplemental Resolution means any resolution of the members of DASNY amending or supplementing the Resolution, any Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms of the Resolution.

Term Bonds means, with respect to Bonds of a Series, the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate and payable from Sinking Fund Installments.

Total Debt Service Coverage Ratio means, with reference to a Participant, the ratio for the applicable Fiscal Year of Total Net Revenues Available for Debt Service of the Participant to its Total Maximum Annual Debt Service.

Total Maximum Annual Debt Service means, with reference to a Participant, the greatest amount required in the then current or any future Fiscal Year to pay the debt service on any outstanding Indebtedness of such Participant; *provided, however*, that any short-term Indebtedness for the Participant's working capital purposes secured solely by a security interest in up to 90% of the Participant's Accounts Receivable shall not be included in "Indebtedness" for the purposes of this definition; *provided further* that the debt service for the final year of amortization of any Indebtedness shall not be included for purposes of this definition to the extent that such debt service is payable from any funded reserve(s) established with and held by a Person other than such Participant.

Total Net Revenues Available for Debt Service means, with reference to a Participant, for any Fiscal Year, the excess of Revenues, including the proceeds of business interruption insurance, over the Expenses accrued or paid by such Participant for such Fiscal Year as determined and reported by the independent certified public accountants of such Participant in its most recently audited financial statements. For purposes of this definition, as determined in accordance with generally accepted accounting principles, consistently applied, (i) extraordinary items shall be excluded from Revenues and Expenses, (ii) depreciation, amortization and current interest expenses shall be excluded from Expenses, and (iii) if the Indebtedness to be incurred or guaranteed is with respect to the refinancing of a Project Property, then "current interest expenses" for purposes of clause (ii) above and such Participant's additional Indebtedness covenant set forth in the Applicable Loan Agreement shall include the bona fide loan payments made by such Participant with respect to such Project Property in the Fiscal Year for which the determination is made.

Trustee means a bank or trust company appointed as Trustee for a Series of Bonds pursuant to an Applicable Series Resolution or an Applicable Bond Series Certificate delivered hereunder and having the duties, responsibilities and rights provided for herein with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant hereto.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2021 LOAN AGREEMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2021 LOAN AGREEMENTS

The following is a brief summary of certain provisions of one Series 2021 Loan Agreement (or "Loan Agreement"), and the summarized provisions are identical to each Loan Agreement. This summary does not purport to be complete and reference is made to the Loan Agreements for full and complete statements of such and all provisions. Defined terms used herein shall have the meaning ascribed to them in Appendix D.

Duration of the Loan Agreement

The Loan Agreement shall remain in full force and effect until the Participants' Allocable Portion of the Bonds is no longer Outstanding, the Applicable Loan made under the Loan Agreement is no longer outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Participants shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of the Participants under the Loan Agreement shall nevertheless survive any such termination. Upon such termination, DASNY shall promptly deliver such documents as may be reasonably requested by the Participants to evidence such termination and the discharge of each Participant's duties under the Loan Agreement, including the release or surrender of any security interests granted by any Participant to DASNY pursuant to the Loan Agreement.

(Section 48)

Construction of the Project Property

Each Participant agrees that, if the Project Property has not been completed, whether or not there are sufficient moneys available to it under the provisions of the Resolution and the Series Resolution and under the Loan Agreement, the Participant shall complete or cause the completion of the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of the Project Property, substantially in accordance with the Contract Documents related to such Project Property. Subject to the conditions of the Loan Agreement, DASNY will, to the extent of moneys available in the Applicable Project Loan Account of the Project Loan Fund, cause a Participant to be reimbursed for, or pay, any costs and expenses incurred by the Participant which constitute Costs of the Project, provided such costs and expenses are approved by DASNY, which approval shall not be unreasonably withheld.

(Section 5)

Amendment of Project; Sale or Conveyance of Project Property; Assignment of Loan Agreement; Cost Increases; Additional Bonds

The Project may be amended by agreements supplementing the Loan Agreement by and between DASNY and the Participants, to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, renovation, improving, or otherwise providing, furnishing and equipping of the Project Property which DASNY is authorized to undertake.

Except for Permitted Encumbrances, each Participant covenants that it shall not (nor permit any other Person to) transfer, sell, encumber or convey any interest in the Project or the Project Property or any part thereof or interest therein, including development rights, without the prior written consent of DASNY, which consent shall be accompanied by (i) an agreement by the Participants to comply with all terms and conditions of such consent and (ii) an opinion of Bond Counsel stating that the change will not have an effect on the tax-exempt status with respect to interest on the Subseries 2021A-1 Bonds or any portion thereof the proceeds of which have been applied to make the Applicable Loan under the Loan Agreement for federal income taxation purposes. As a condition to such approval, DASNY may require that the Participants pay to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund an amount not to exceed the principal amount of the Applicable Loan outstanding relating to a Project Property at the date of such transfer, sale or conveyance, as such amount is determined by DASNY based upon the applicable amortization schedule set forth in the Loan Agreement. Notwithstanding the foregoing, the Participants may remove equipment, furniture or fixtures in the Project Property or which comprise a part of the Project Property provided that the Participants substitute equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

Each Participant covenants that it shall not sell, assign or transfer, nor shall it be released from, any of its obligations under the Loan Agreement without the prior written consent of DASNY, which consent shall be accompanied by (i) an agreement by the Participant and the assignee to comply with all terms and conditions of such consent and (ii) an opinion of Bond Counsel stating that the assignment will not have an effect on the tax-exempt status with respect to interest on the Subseries 2021A-1 Bonds or any portion thereof the proceeds of which have been applied to make the Applicable Loan under the Loan Agreement for federal income taxation purposes. In connection with any such assignment and assumption, such Participant and assignee shall execute and deliver such documents, certificates and agreements as may be required by DASNY, including but not limited to documents, certificates and agreements regarding the deduction, withholding and/or payment of Pledged Revenues in the amount required by the Loan Agreement.

Notwithstanding any other provision of the Loan Agreement, so long as there exists no Event of Default under the Loan Agreement, nor any event which upon the giving of notice or the passage of time or both, would constitute an Event of Default, in the event that the Project Property consists of two or more separate and distinct facilities, a Participant may, upon written notice to DASNY and the Trustee and compliance with the following, effect the release of a Project Property from the Loan Agreement and, if a Mortgaged Property, the lien of the Mortgage. Upon receipt of such notice, DASNY and the Trustee shall, at the sole cost and expense of the Participants, execute and deliver any and all instruments necessary or appropriate to so release and remove such Project Property from the Loan Agreement and if a Mortgaged Property, the lien of the Mortgage; provided, that, no such release shall be effected unless (i) the Participants shall cause Bonds allocable to such Project Property to cease to be Outstanding (either through the redemption or the defeasance provisions of the Resolution) and (ii) there shall be delivered to DASNY an opinion of Bond Counsel stating that such release will not have an effect on the tax-exempt status with respect to interest on the Subseries 2021A-1 Bonds or any portion thereof the proceeds of which have been applied to make the Applicable Loan under the Loan Agreement for federal income taxation purposes.

Notwithstanding any other provision of the Loan Agreement, so long as there exists no Event of Default under the Loan Agreement, nor any event which upon the giving of notice or the passage of time or both, would constitute an Event of Default, in the event that (y) the Project Property consists of two or more separate and distinct facilities, and (z) the Participants shall have paid in full the Bonds allocable to a Project Property according to the applicable amortization schedule attached to the Loan Agreement, a Participant may, upon written notice to DASNY and the Trustee, effect the release of such fully amortized Project Property from the Loan Agreement and, if a Mortgaged Property, the lien of the Mortgage. Upon receipt of such notice, DASNY and the Trustee shall, at the sole cost and expense of the Participants, execute and deliver any and all instruments necessary or appropriate to so release and remove such Project Property from the Loan Agreement and if a Mortgaged Property, the lien of the Mortgage.

The Participants shall provide such moneys or an irrevocable letter of credit or other security in such form as may be acceptable to DASNY as in the reasonable judgment of DASNY may be required to pay the cost of completing the Project in excess of the moneys, letter of credit or other security in the Applicable Project Loan Account of the Project Loan Fund established for such Project. Such moneys, letter of credit or other security shall be paid or be available to the Trustee for deposit in the Applicable Project Loan Account of the Project Loan Fund within thirty (30) days of receipt of notice from DASNY that such moneys or other security are required.

No Contract Documents shall be entered into after the date of execution and delivery of the Loan Agreement and no material modification, addition or amendment to the Contract Documents shall be made after the date of the execution and delivery of the Loan Agreement, including without limitation change orders materially affecting the scope or nature of the Project Property or where the cost of implementing the change exceeds $50,000, without the prior written approval of DASNY, which approval shall not be unreasonably withheld. The Participants agree to furnish or cause to be furnished to DASNY copies of all change orders regardless of amount, upon the request of DASNY therefor.

DASNY, upon request of the Participants, may, but shall not be required to, issue Bonds to provide moneys required for the cost of completing the Project in excess of the moneys in the Applicable Project Loan Account of the Project Loan Fund. Nothing contained in the Loan Agreement or in the Resolutions shall be construed as creating any obligation upon DASNY to issue Bonds for such purpose, it being the intent to reserve to DASNY full and complete discretion to decline to issue such Bonds. The proceeds of any additional Bonds shall be deposited and applied as specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds.

(Section 6)

Financial Obligations of the Participants; General and Unconditional Obligation; Voluntary Payments

Except to the extent that moneys are available therefor under the Resolution or the Series Resolution or under the Loan Agreement, including, without limitation, moneys in the Applicable Debt Service Account of the Debt Service Fund, but excluding moneys from the Participants' Allocable Portion of the Debt Service Reserve Fund (except as set forth in the Loan Agreement) and excluding interest accrued but unpaid on investments held in the Applicable Debt Service Account of the Debt Service Fund, each Participant unconditionally agrees to pay, or cause to be paid, so long as the Loan is outstanding, to or upon the order of DASNY or, with respect to paragraph (d) below, the Program Facilitator from its general funds or any other moneys legally available to it:

(a) On or before the date of delivery of the Bonds, DASNY Fee in the amount set forth in the Loan Agreement;

(b) On or before the date of delivery of the Bonds, such amount, if any, as in the reasonable judgment of DASNY is necessary to pay the Participants' Allocable Portion of the Costs of Issuance of such Bonds, and the Participants' Allocable Portion of the other costs in connection with the issuance of such Bonds;

(c) The Participants shall make Loan Repayments on the dates and in the amounts as set forth in the Loan Agreement; provided, however, if moneys on deposit in the Participants' Applicable Debt Service Account of the Debt Service Fund and in the Participant's Allocable Portion of the Debt Service Reserve Fund are in an amount sufficient to pay the principal of and interest on the Participants' Allocable Portion of the Bonds Outstanding, no further Loan Repayments need be made by the Participants;

(d) The fees of the Program Facilitator to be paid by the Participants pursuant to the Administration Agreement;

(e) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased is to be paid exclusive of Bonds to be redeemed or purchased pursuant to Sinking Fund Installments, the Participants' Allocable Portion of the amount required to pay the Redemption Price or purchase price of such Bonds;

(f) The Annual Administrative Fee, through the final maturity date of the Bonds or until such Bonds are no longer Outstanding, as set forth in the Loan Agreement;

(g) Promptly after notice from DASNY, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to DASNY (i) for the Participants' Allocable Portion of DASNY Fee then unpaid, (ii) to reimburse DASNY for payments made by it pursuant to the penultimate paragraph under this heading and any expenses or liabilities incurred by DASNY pursuant to provisions of the Loan Agreement as described under the headings "Covenant as to Insurance" and "Taxes and Assessments" below and other provisions of the Loan Agreement relating to indemnity by the Participant, (iii) to reimburse DASNY for the Participants' Allocable Portion of any external costs or expenses incurred by it attributable to the issuance of the Bonds of a Series, (iv) to reimburse DASNY for any external costs or expenses incurred by it attributable to the financing or construction of the Project Property, including, but not limited to, costs and expenses of insurance and auditing, (v) for the costs and expenses incurred by DASNY to compel full and punctual performance by the Participants of all the provisions of the Loan Agreement, of an Intercept Agreement, of the Resolution or of the Series Resolution in accordance with the terms of the Loan Agreement and thereof, and (vi) for the Participants' Allocable Portion of the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution or the Series Resolution;

(h) Promptly upon demand by DASNY (a copy of which demand shall be furnished to the Trustee), all amounts required to be paid by the Participants as a result of an acceleration pursuant to the Loan Agreement; and

(i) Promptly upon demand by DASNY, the difference between the amount on deposit in the Participants' Allocable Portion of the Arbitrage Rebate Fund or otherwise available therefor under the Resolution for the payment of any rebate required by the Code to be made and the Participants' Allocable Portion of the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds, and any fees or expenses incurred by DASNY in connection therewith including those of any rebate analyst or consultant engaged by DASNY.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Participants shall receive a credit against the amount required to be paid by the Participants during a Bond Year pursuant to paragraph (c) above on account of a Sinking Fund Installment if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through a Sinking Fund Installment payable on the next succeeding July 1, a Participant delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such July 1. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

DASNY directs the Participants, and each Participant agrees, to make or cause to be made the payments required by paragraphs (c), (e) and (h) above directly to the Trustee for deposit in the

Applicable Debt Service Account of the Debt Service Fund and application in accordance with the Resolution or the Series Resolution, the payments required by paragraph (b) above directly to the Trustee for deposit in the Applicable Project Loan Account of the Project Loan Fund or other fund established under the Resolution or the Series Resolution, as directed by DASNY, the payments required by paragraph (i) above directly to the Trustee for deposit in the Arbitrage Rebate Fund, and the payments required by paragraphs (a), (f) and (g) above directly to DASNY.

Notwithstanding the foregoing, to the extent DASNY shall have received payment of Pledged Revenues of a Participant on account of the payments required by paragraphs (c), (e), (h) and (i) above, such amounts received shall be credited against any payments due from the Participants with respect to its obligations under the Loan Agreement and are Revenues which shall be paid by DASNY to the Trustee. To the extent DASNY shall have received Pledged Revenues on account of the payments required by paragraphs (a), (f) and (g) above, such amounts received shall be credited against any payments due from the Participants with respect to its obligations under the Loan Agreement, and shall be retained by DASNY.

Notwithstanding any provision in the Loan Agreement or in the Resolution or the Series Resolution to the contrary (except as otherwise specifically provided for in provisions described under this heading), (i) all moneys paid by the Participants to the Trustee pursuant to paragraphs (c), (e) and (h) above (other than moneys received by the Trustee pursuant to the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for DASNY in satisfaction of the Participants' indebtedness to DASNY with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment and (ii) the transfer by the Trustee of any moneys (other than moneys described in clause (i) of this subdivision) held by it in the Applicable Project Loan Account of the Project Loan Fund to the Applicable Debt Service Account of the Debt Service Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution shall be deemed, upon such transfer, receipt by DASNY from the Participants of a payment in satisfaction of the Participants' indebtedness to DASNY with respect to the Participants' Applicable Portion of the Redemption Price of the Bonds to the extent of the amount of moneys transferred. Immediately after receipt or transfer of such moneys, as the case may be, by the Trustee, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Bondholders, regardless of the actual due date or payment date of any payment to the Bondholders, except in respect to the payment to the Participants by the Trustee as provided for in the Resolution.

The obligations of each Participant to make payments or cause the same to be made under the Loan Agreement shall be absolute and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the Participant may otherwise have against DASNY, the Trustee or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Participants to complete the Project Property or the completion thereof with defects, failure of the Participants to occupy or use the Project Property, any declaration or finding that the Bonds of any Series are or the Resolution or the Series Resolution is invalid or unenforceable or any other failure or default by DASNY or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release DASNY from the performance of any agreements on its part therein contained or any of its other duties or obligations, and in the event DASNY shall fail to perform any such agreement, duty or obligation, any Participant may institute such action as it may deem necessary to compel performance or recover damages for nonperformance.

If there is more than one Participant, each Participant shall be jointly and severally liable under the Loan Agreement.

Notwithstanding the foregoing, DASNY shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse any Participant for, or to pay, the Costs of the Project beyond the extent of moneys in the Applicable Project Loan Account of the Project Loan Fund established for such Project.

The Loan Agreement and the obligation of the Participants to make payments thereunder are general obligations of the Participants.

DASNY, for the convenience of the Participants, shall furnish to the Participants statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement. The failure to furnish such statements shall not excuse non-payment of the amounts payable under the Loan Agreement at the time and in the manner provided thereby.

DASNY shall have the right in its sole discretion to make on behalf of the Participants any payment required pursuant to the provisions of the Loan Agreement as described under this heading which has not been made by the Participants when due; provided, that notice of such payment is immediately made to the Participants. No such payment by DASNY shall limit, impair or otherwise affect the rights of DASNY under the provisions of the Loan Agreement described under the heading "Defaults and Remedies" below arising out of the Participants' failure to make such payment and no payment by DASNY shall be construed to be a waiver of any such right or of the obligation of the Participants to make such payment.

The Participants, if there is not then an Event of Default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the written directions of DASNY in the Applicable Debt Service Account of the Debt Service Fund or held by the Trustee for the payment of Bonds or portions thereof in accordance with the Resolution. Upon any voluntary payment by the Participants or any deposit in the Applicable Debt Service Account of the Debt Service Fund made as described in the fifth paragraph above, DASNY agrees to direct the Trustee in writing to purchase or redeem Bonds or portions thereof in accordance with the Resolution or to give the Trustee irrevocable written instructions in accordance with defeasance provisions of the Resolution; provided, however, that in the event such voluntary payment is in the sole judgment of DASNY sufficient to prepay the Loan under the Loan Agreement and to pay all other amounts then due thereunder, and to purchase or redeem the Participants' Allocable Portion of the Bonds Outstanding, or to pay or provide for the payment of the Participants' Allocable Portion of the Bonds Outstanding in accordance with defeasance provisions of the Resolution, DASNY agrees, in accordance with the instructions of the Participants, to direct the Trustee in writing to purchase or redeem the Participants' Allocable Portion of the Bonds Outstanding, or to cause the Participants' Allocable Portion of the Bonds Outstanding to be paid or to be deemed paid in accordance with defeasance provisions of the Resolution.

Notwithstanding anything in the Loan Agreement or in the Resolution to the contrary, the Participant's Loan Repayment schedule set forth in the Loan Agreement may be amended from time to time by the Participant and DASNY to reflect changes in the Participants' Allocable Portion of the Bonds Outstanding caused by voluntary payments by the Participants, early redemptions, legal defeasances or otherwise. At the time of any such amendment, the Participants' Loan Repayments set forth in the amended schedule will be recalculated in the same manner as when the Bonds were originally issued while accounting for the change to the Participants' Allocable Portion of the Bonds Outstanding.

(Section 9)

Debt Service Reserve Fund

The Participants agree to maintain on deposit in the Debt Service Reserve Fund an amount at least equal to the Participants' Allocable Portion of the Debt Service Reserve Fund Requirement as set forth in the Loan Agreement, provided that the Participants shall be required to deliver moneys or Permitted Investments to the Trustee for deposit in the Debt Service Reserve Fund as a result of a deficiency in such Fund within (5) days after the notice required by the Series Resolution is received.

Any Participant may deliver to the Trustee a Reserve Fund Facility for all or any part of the Participants' Allocable Portion of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Series Resolution. Whenever a Reserve Fund Facility has been delivered to the Trustee and the Participants are required to restore the Participants' Allocable Portion of the Debt Service Reserve Fund Requirement, the Participants shall reimburse directly, or pay to DASNY an amount sufficient to reimburse, the Facility Provider in order to cause the Reserve Fund Facility provided by the Participants or Participants' Allocable Portion of the Reserve Fund Facility to be restored to the amount of the Participants' Allocable Portion of the Debt Service Reserve Fund Requirement or shall then deliver additional moneys or Permitted Investments necessary to restore the Debt Service Reserve Fund to the Participants' Allocable Portion of the Debt Service Reserve Fund Requirement.

The delivery to the Trustee of Permitted Investments or Reserve Fund Facility from time to time made by the Participants pursuant to the Loan Agreement as described under this heading shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of DASNY to secure performance of the Participants' obligations under the Loan Agreement and for the benefit of the Trustee to secure the performance of the obligations of DASNY under the Resolution. The Participants authorize DASNY pursuant to the Resolution to pledge such Permitted Investments or Reserve Fund Facility to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Bonds, whether at maturity, upon acceleration or otherwise, and the fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Loan Agreement and of the Resolution or the Series Resolution.

All Permitted Investments deposited with the Trustee pursuant to the Loan Agreement as described under this heading, other than United States Treasury Certificates of Indebtedness State and Local Government Series ("SLGs") (subject to provisions for registration thereof), and the principal thereof and the interest, dividends or other income payable with respect thereto shall be payable to bearer or to the registered owner. All such Permitted Investments in registered form shall be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all such Permitted Investments shall be transferred promptly following their delivery to the Trustee into the name of the Trustee (in its fiduciary capacity) or its nominee. The Participants appoint the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

Each Participant agrees that upon each delivery by it to the Trustee of Permitted Investments, whether initially or upon later delivery or substitution, the Participant shall deliver to DASNY and the Trustee a certificate of an Authorized Officer of the Participant to the effect that the Participant warrants and represents that the Permitted Investments delivered by the Participant (i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition thereof as contemplated by the Loan Agreement, by the Series Resolution or by the Resolution and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Participant duly had and taken.

Prior to the initial delivery of Permitted Investments (other than moneys) to the Trustee pursuant to the Loan Agreement as described under this heading, and upon any later delivery or substitution, the Participants will, at their cost and expense, provide to DASNY and the Trustee a written opinion of counsel satisfactory to DASNY to the effect that the delivering Participant has full corporate power and authority to pledge such Permitted Investments as security in accordance with the Loan Agreement, such Permitted Investments have been duly delivered by such Participant to the Trustee, such delivery creates a valid and binding pledge and security interest therein in accordance with the terms thereof and of the Resolution, and nothing has come to the attention of such counsel that would lead it to believe that the Permitted Investments delivered by the Participant are not free and clear of all liens, pledges, encumbrances and security interests or are subject to any statutory, contractual or other restriction which would invalidate or render unenforceable the pledge and security interest therein, or the application or disposition thereof, contemplated by the Loan Agreement or by the Resolution.

(Section 10)

Security Interest in Pledged Revenues

As security for the payment of all liabilities and the performance of all obligations of the Participants pursuant to the Loan Agreement, each Participant does continuously pledge, grant a security interest in, and assign to DASNY the Pledged Revenues, together with the Participant's right to receive and collect the Pledged Revenues and the proceeds of the Pledged Revenues. This pledge, grant of a security interest in and assignment of the Pledged Revenues shall be subordinate only to the Prior Pledges.

Each Participant represents and warrants that no part of the Pledged Revenues or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, other than the Prior Pledges, and that the Pledged Revenues assigned pursuant to the Loan Agreement are legally available to provide security for the Participant's performance thereunder. Each Participant agrees that it shall not hereafter create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Pledged Revenues which is prior or equal to the pledge made by the Loan Agreement as described under this heading.

(Section 11)

Collection of Pledged Revenues

Commencing on the date on which the Bonds are first issued and continuing until the Loan is no longer outstanding, each Participant shall deliver (or cause to be delivered) to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund all Pledged Revenues (other than the amounts subject to the Prior Pledges) within ten (10) days following the Participant's receipt thereof unless and until there is on deposit in the Applicable Debt Service Account of the Debt Service Fund an amount at least equal to the Participants' Loan Repayment in the amount and on the date set forth in the Loan Agreement. In the event that, pursuant to remedies provision of the Loan Agreement, DASNY notifies the Participants that account debtors are to make payments directly to DASNY or to the Trustee, such payments shall be so made notwithstanding anything contained in the Loan Agreement as described in this paragraph, but each Participant shall continue to deliver to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund any payments received by the Participant with respect to the Pledged Revenues (other than such amounts as are subject to the Prior Pledges).

Notwithstanding anything to the contrary in the paragraph above, in the event that, on or prior to the tenth (10th) day of any month, any Participant makes a payment to or upon the order of the Trustee, from its general funds or from any other money legally available to it for such purpose, for deposit in Applicable Debt Service Account of the Debt Service Fund in the amount which the Participants are required to pay to the Trustee pursuant to the Loan Agreement regarding Loan Repayments, no Participant shall not be required solely by virtue of the Loan Agreement as described in the paragraph above, to deliver Pledged Revenues to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund with respect to the amount due to be paid on the tenth (10th) day of such month; provided that, nothing contained in this paragraph shall abrogate the obligations of the Participants under the Loan Agreement as described in the last two paragraphs under this heading.

Any Pledged Revenues collected by a Participant that are not required to be paid to the Trustee pursuant to the Loan Agreement as described under this heading or under the remedies provisions of the Loan Agreement, including any amounts to make up any deficiencies in any funds or accounts established pursuant to the Resolution or the Series Resolution, shall be free and clear of the security interest granted by the Loan Agreement and may be disposed of by the Participant for any of its corporate purposes provided that (a) no Event of Default, or event which with the passage of time or giving of notice, or both, would become an Event of Default, has occurred and is continuing or (b) there has not occurred a drawing of funds from the Debt Service Reserve Fund that has not been repaid by the Participants as required by the Loan Agreement or the Series Resolution.

Each Participant agrees to direct the payment of Pledged Revenues, otherwise payable to the Participant, to DASNY for deposit in the Debt Service Fund. Pursuant to the Act and an Intercept Agreement, each Participant has assigned and pledged to DASNY such Pledged Revenues subject to the Prior Pledges. In addition to an Intercept Agreement, each Participant agrees to execute and deliver, from time to time, such additional documents, if any, as may be required by DASNY, the Trustee, any Applicable State Agency, the Comptroller, the State, a political subdivision (as defined in Section 100 of the General Municipal Law), or any social services district in the State, to authorize or implement such payment of Pledged Revenues to DASNY or the Trustee in an amount sufficient to pay all amounts required to be paid under the Loan Agreement. Each Participant further acknowledges that all State and local officers are authorized and required to pay any such Pledged Revenues so assigned and pledged to DASNY in accordance with the Loan Agreement. DASNY may periodically file a certificate with any Applicable State Agency, the Comptroller, the State, a political subdivision (as defined in Section 100 of the General Municipal Law), or any social services district in the State setting forth the amount of Pledged Revenues required to be paid to satisfy the obligations of the Participants under the Loan Agreement, which certificate may be amended by DASNY from time to time. Copies of said certificate and any amendments thereto filed pursuant to this paragraph shall be delivered to the Trustee and the Participants.

Unless and until an Event of Default described in the Loan Agreement or an event which with the passage of time or giving of notice, or both, would become an Event of Default shall have occurred or there shall have occurred a drawing of funds from the Debt Service Reserve Fund that has not been repaid by the Participants as required by the Loan Agreement or the Series Resolution, shall have occurred, DASNY waives its right to collect those amounts payable to DASNY pursuant to the Loan Agreement as described in the paragraph above. Upon the occurrence of an event described in the preceding sentence, DASNY may, in addition to all other remedies available to it pursuant to the Loan Agreement, cause the Pledged Revenues (subject to the Prior Pledges) to be deducted, withheld or paid directly to DASNY or the Trustee, as appropriate, in an amount sufficient to make all payments required to be made by the Participants under the Loan Agreement.

(Section 12)

Mortgage; Lien on Fixtures and Equipment

With respect to each Project Property which is owned by a Participant, at or before the delivery by DASNY of the Bonds, such Participant shall execute and deliver to DASNY the Mortgage, in recordable form, mortgaging the Mortgaged Property to DASNY, subject only to Permitted Encumbrances. As further security for the obligations and liabilities of such Participant under the Loan Agreement, the Participant shall grant DASNY a security interest in such fixtures, furnishings and equipment owned by the Participant which then are or thereafter will be located in or on any Mortgaged Property, together with all proceeds thereof and substitutions therefor. Such security interest in such fixtures, furnishings and equipment shall be subject only to Permitted Encumbrances.

With respect to each Project Property which is leased by a Participant, such Participant grants by the Loan Agreement DASNY a security interest in all furnishings and equipment located in or on or used or to be used in connection with the Project Property, excepting and excluding therefrom any furnishings and equipment held or used by the Participant as a lessee and any furnishings and equipment during the time when such furnishings and equipment are covered by perfected purchase money security interests in third parties. With respect to such furnishings and equipment in which a security interest is granted by the Loan Agreement, the Loan Agreement constitutes a "security agreement" within the meaning of the Uniform Commercial Code. Upon the occurrence of an Event of Default under the Loan Agreement, DASNY, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code.

Prior to any assignment of a Mortgage to the Trustee in accordance with the terms of the Resolution, DASNY, without the consent of the Trustee or the Holders of Bonds, may consent to the amendment, modification, termination, subordination or satisfaction of the Mortgage and of any security interest in fixtures or equipment located in or on or used in connection with the Mortgaged Property and the property subject to the Mortgage or security interest may be released from the lien thereof, all upon such terms and conditions as DASNY may reasonably require. Notwithstanding the foregoing, a Participant that granted a Mortgage may remove fixtures or equipment from the Mortgaged Property provided that such Participant shall replace such fixtures or equipment with fixtures or equipment having equivalent value and utility.

(Section 13)

Warranty as to Title; Encumbrances; Title Insurance

Each Participant that owns one or more of the Project Properties warrants and represents to DASNY that (i) the Participant has good and marketable title to all such Project Properties, free and clear of liens and encumbrances, except Permitted Encumbrances, so as to permit it to have quiet enjoyment and use thereof for purposes of the Loan Agreement and the Participant's programs and (ii) the Participant has such rights of way, easements or other rights in land as may be reasonably necessary for ingress and egress to and from all such Project Properties, for proper operation and utilization of such Project Properties and for utilities required to serve such Project Properties, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Participants of each such Project Property.

The Participants covenant that title to all Project Properties shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances.

The Participants warrant, represent and covenant that (i) the Project and all Project Properties are and shall be serviced by all necessary utilities (including, to the extent applicable, without limitation, electricity, gas, water, sewer, steam, heating, air-conditioning and ventilation), and (ii) to the extent applicable, such Project and each Project Property shall have its own separate and independent means of access, apart from any other property owned by any Participant or others. Such access, however, may be through common roads or walks owned by a Participant used also for other parcels owned by such Participant.

(Section 14)

Consent to Pledge and Assignment by DASNY

Each Participant consents to and authorizes the assignment, transfer or pledge by DASNY to the Trustee of DASNY's rights to receive the payments required to be made pursuant to the Loan Agreement as described in paragraphs (c), (e), and (h) under the heading "Financial Obligations of the Participant; General and Unconditional Obligations; Voluntary Payments" above, any or all security interests granted by the Participant under the Loan Agreement, including without limitation the security interest in the Pledged Revenues and the Permitted Investments delivered pursuant to the Loan Agreement and all funds and accounts established by the Resolution (other than the Arbitrage Rebate Fund) and pledged under the Resolution in each case to secure any payment or the performance of any obligation of the Participants under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance shall be specifically assigned by DASNY to the Trustee. Each Participant further agrees that DASNY may pledge and assign to the Trustee any and all of DASNY's rights and remedies under the Loan Agreement. Upon any pledge and assignment by DASNY to the Trustee authorized by the Loan Agreement, the Trustee shall be fully vested with all of the rights of DASNY so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor thereby or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Participants' obligations to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Participants thereunder. Any realization upon any pledge made or security interest granted by the Loan Agreement shall not, by operation of law or otherwise, result in cancellation or termination thereof or the obligations of the Participants thereunder.

Each Participant covenants, warrants and represents that it is duly authorized by all applicable laws, its charter or certificate of incorporation and by-laws to enter into the Loan Agreement, to incur the indebtedness contemplated by the Loan Agreement, to pledge, grant a security interest in and assign to DASNY and the Trustee, for the benefit of the Bondholders, the Pledged Revenues and the Permitted Investments delivered by it pursuant to the Loan Agreement in the manner and to the extent provided therein and in the Resolution. Each Participant further covenants, warrants and represents that any and all pledges, security interests in and assignments to DASNY and the Trustee for the benefit of the Bondholders, granted or made by it pursuant to the Loan Agreement are and shall be free and clear of any pledge, lien, charge, security interest or encumbrance prior thereto, or of equal rank therewith, other than the Prior Pledges and the Permitted Encumbrances, and that all corporate action on the part of the Participant and any parties related thereto, to that end has been duly and validly taken. Each Participant further covenants that the provisions of the Loan Agreement are and shall be valid and legally enforceable obligations of the Participant in accordance with their terms. Each Participant further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Pledged Revenues, Permitted Investments and Reserve Fund Facility delivered by it pursuant to the Loan Agreement and all of the rights of DASNY and Trustee for the benefit of the Bondholders under the Loan Agreement, under the Series Resolution, under the Resolution and under the Intercept Agreement against all claims and demands of all persons whomsoever. Each Participant further covenants, warrants and represents that its execution and delivery of the Loan Agreement and of the Intercept Agreement, and the consummation of the transactions contemplated and compliance with the provisions thereof, including, but not limited to, the assignment as security or the granting of a security interest in the Permitted Investments delivered by it to the Trustee pursuant to the Loan Agreement, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or certificate of incorporation or by-laws of the Participant (or any party related thereto) or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Participant (or any party related thereto) is party or by which it or any of its or their properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Participant, any party related thereto or any of its or their properties.

(Section 15)

Tax-Exempt Status

Each Participant represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a "private foundation," as such term is defined under Section 509(a) of the Code, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) such letter or other notification has not been modified, limited or revoked, (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, (v) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist, and (vi) it is exempt from federal income taxes under Section 501(a) of the Code. Each Participant agrees that (a) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Participant as an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) it shall not perform any act, enter into any agreement or use or permit the Project and the Project Property it owns or leases to be used in any manner, or for any trade or business or other non-exempt use unrelated to the purposes of the Participant, which could adversely affect the exclusion of interest on the Subseries 2021A-1 Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 16)

Use of the Project Property; Restrictions on Religious Use

Each Participant agrees that, unless in the opinion of Bond Counsel a Project Property may be occupied or used other than as required by the Loan Agreement as described under this heading, at least ninety-five percent (95%) of each Project Property shall be occupied or used primarily by a Participant or members of the staff of a Participant or residents of the Project Property or clients of a Participant, as applicable, for activities related to the tax-exempt purposes of a Participant, or, on a temporary basis, persons connected with activities incidental to the operations of a Participant, subject to and consistent with the requirements of the Loan Agreement as described under this heading.

Subject to the rights, duties and remedies of DASNY under the Loan Agreement, the Participants shall have sole and exclusive control of, possession of and responsibility for (i) the Project and all Project Property, (ii) the operation of the Project and all Project Property and supervision of the activities conducted therein or in connection with any part thereof, and (iii) the maintenance, repair and replacement of all Project Property.

Each Participant agrees that with respect to the Project Property or any portion thereof, so long as such Project Property or portion thereof exists and unless and until such Project Property or portion thereof is sold for the fair market value thereof, such Project Property or any portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; and, further provided, however, that if at any time hereafter, in the opinion of Bond Counsel, the then applicable law would permit the Project Property or a portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project Property and each portion thereof. DASNY and its agents may conduct such inspections as DASNY deems necessary to determine whether the Project Property or any portion of real property thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. Each Participant further agrees that prior to any disposition of any portion of the Project Property for less than fair market value, it shall execute and record (or cause to be executed and recorded) in the appropriate real property records an instrument subjecting, to the satisfaction of DASNY, the use of such portion of such Project Property to the restriction that (i) so long as such portion of such Project Property (and, if included in such Project, the real property on or in which such portion of such Project Property is situated) shall exist and the Bonds allocable to such Project Property remain Outstanding and (ii) until such portion of such Project Property is sold or otherwise transferred to a Person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project Property shall not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the instance of DASNY or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of such Project Property, or, if included in such Project Property, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this heading an involuntary transfer or disposition of the Project Property or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Sections 20 and 21)

Covenant as to Insurance

Each Participant agrees to maintain or cause to be maintained insurance with insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by organizations located in the State of a nature similar to that of the Participant, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably anticipated damage, loss or liability, subject to reasonable deductible provisions. Each Participant shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

(Section 23)

Damage or Condemnation

In the event of a taking of the Project or the Project Property or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of the Project or the Project Property, then and in such event the entire proceeds of any insurance, condemnation or eminent domain award shall be paid upon receipt thereof by any Participant or DASNY to the Trustee for deposit in the Applicable Project Loan Account of the Project Loan Fund, and

(a) if within 120 days from the receipt by DASNY of actual notice or knowledge of such occurrence, the Participants and DASNY agree in writing that the Project, the Project Property or the affected portion thereof shall be repaired, replaced or restored, the Participants shall proceed to repair, replace or restore the Project, the Project Property or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible with such changes and additions as shall be appropriate to the needs of the Participants and approved in writing by DASNY. The funds required for such repair, replacement or restoration shall be paid from time to time as the work progresses, subject to such conditions and limitations as DASNY may reasonably impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence or from funds to be provided by the Participants; or

(b) if no agreement for the repair, restoration or replacement of the Project Property or the affected portion thereof shall be reached by DASNY and the Participants within such 120 day period, all respective proceeds (other than the proceeds of builders' risk insurance which shall be deposited pursuant to the Resolution and the Series Resolution) shall be transferred from the Applicable Project Loan Account of the Project Loan Fund in which such proceeds were deposited to the Applicable Debt Service Account of the Debt Service Fund for the redemption at par, at the option of DASNY, of Bonds on any future interest payment date.

(Section 24)

Taxes and Assessments

Each Participant shall pay or cause to be paid when due at its own expense, and hold DASNY harmless from, all taxes, assessments, water and sewer charges and other impositions, if any, which may be levied or assessed upon the Project or the Project Property or any part thereof, and upon all ordinary costs of operating, maintaining, renovating, repairing and replacing the Project and the Project Property and its equipment. The Participants shall file or cause to be filed exemption certificates as required by Governmental Requirements. The Participants agree to exhibit to DASNY within ten (10) days after written demand by DASNY, certificates or receipts issued by the appropriate authority showing full payment of all taxes, assessments, water and sewer charges and other impositions; provided, however, that the good faith contest of such impositions shall be deemed to be in complete compliance with the requirements of the Loan Agreement if the Participants deposit with DASNY the full amount of such contested impositions. Notwithstanding the foregoing, DASNY, in its sole discretion, after notice in writing to the Participants, may pay (such payment shall be made under protest if so requested by a Participant) any such charges, taxes and assessments if, in the reasonable judgment of DASNY, the Project or the Project Property, or any part thereof, would be in substantial danger by reason of the Participants' failure to pay such charges, taxes and assessments of being sold, attached, forfeited, foreclosed, transferred, conveyed, assigned or otherwise subjected to any proceeding, equitable remedy, lien, charge, fee or penalty that would impair (i) the interests or security of DASNY under the Loan Agreement, under the Series Resolution, under the Resolution or under the Mortgage; (ii) the ability of DASNY to enforce its rights under the Loan Agreement or thereunder; (iii) the ability of DASNY to fulfill the terms of any covenants or perform any of its obligations under the Loan Agreement, under the Series Resolution or under the Resolution; or (iv) the ability of any Participant to fulfill the terms of the covenants or perform any of its obligations under the Loan Agreement, under the Series Resolution, and the Participants agree to reimburse DASNY for any such payment, with interest thereon from the date payment was made by DASNY at a rate equal to the highest rate of interest payable on any investment held for the Debt Service Fund on the date such payment was made by DASNY.

(Section 25)

Reports Relating to the Project or the Project Property, Financial Information and Financial Covenants

If and when requested by DASNY, the Participants shall render or cause to be rendered to DASNY and the Trustee reports with respect to all repairs, replacements, renovations, and maintenance made to the Project or the Project Property. In addition, if and when requested by DASNY, the Participants shall render or cause to be rendered such other reports concerning the condition of the Project or the Project Property as DASNY may request.

Each Participant shall also furnish annually, not later than one hundred and eighty (180) days after the end of the Participant's Fiscal Year, to the Trustee, the Program Facilitator, the Underwriter, DASNY and to such other parties as DASNY may reasonably designate, including rating services, copies of its financial statements audited by an independent public accountant selected by the Participant and acceptable to DASNY and prepared in conformity with generally accepted accounting principles applied on a consistent basis, except that such audited financial statements may contain such changes as are concurred in by such accountants, and such other statements, reports and schedules describing the finances, operation and management of the Participant and such other information as may be reasonably required by DASNY. Notwithstanding the preceding sentence, if any Participant does not have audited financial statements solely with respect to its affairs but is part of a group of related entities with respect to which audited financial statements as described above are prepared on a consolidated or combined basis in conformity with generally accepted accounting principles applied on a consistent basis, such Participant shall be deemed to be in compliance with the preceding sentence so long as it shall furnish annually to the parties and within the times described above, in addition to the consolidated or combined statements, consolidating or combining schedules of financial position and activities separately stating the financial position and activities of the Participant (and the other entities covered by the consolidated or combined financial statements), which schedules shall have been subjected to (i) auditing procedures applied in the audit of the consolidated or combined financial statements and (ii) other procedures in accordance with generally accepted auditing standards.

The Trustee shall have no obligation or duty to review any financial statements (audited or otherwise) filed with it and shall not be deemed to have notice of the content of such statements or a default based on such content and shall have no obligation or duty to verify the accuracy of such statements.

Furthermore, each Participant shall also furnish annually, not later than one hundred and eighty (180) days after the end of the Participant's Fiscal Year, to DASNY, the Underwriter and the Trustee a certificate of an Authorized Officer of the Participant stating whether the Participant is in compliance with the provisions the Loan Agreement.

Each Participant covenants that it has maintained in its current Fiscal Year and it will maintain in each Fiscal Year subsequent to the date of delivery of the Loan Agreement Total Net Revenues Available for Debt Service sufficient to produce in each Fiscal Year a Total Debt Service Coverage Ratio of not less than 1.00 to 1.00; provided, however, that failure by the Participant in any Fiscal Year to demonstrate compliance with the Total Debt Service Coverage Ratio shall not constitute an Event of Default under the Loan Agreement if the Participant delivers to DASNY, the Underwriter and the Trustee, by the last day of the next succeeding Fiscal Year, a certificate of an Authorized Officer of the Participant along with a schedule or schedules demonstrating compliance with the Total Debt Service Coverage Ratio for a rolling 12-month period ending no earlier than 90 days after the end of the Fiscal Year for which the Participant is unable to demonstrate compliance.

No Participant may incur any additional Indebtedness (including, but not limited to, guarantees or derivatives in the form of credit default swaps or total-rate-of-return swaps or similar instruments), without the prior written consent of DASNY, except for the following:

(a) Indebtedness (other than for working capital, other than installment purchase payments payable under installment sale agreements and other than rents payable under lease agreements) incurred in the ordinary course of the Participant's business for its current operations including the maintenance and repair of its property, advances from third party payors and obligations under reasonably necessary employment contracts,

(b) Indebtedness in the form of rentals under leases which are not required to be capitalized in accordance with generally accepted accounting principles in effect on the date of issuance of the Bonds,

(c) Indebtedness in which recourse to the Participant for repayment is expressly limited to proceeds from the sale, lease or foreclosure of any tangible property of the Participant other than the Project Property,

(d) Non-PPA Indebtedness to the extent that the Participant has delivered to DASNY and the Trustee a certificate signed by the Participant's chief executive officer or chief financial officer demonstrating a Total Debt Service Coverage Ratio of not less than 1.25 to 1.00 for the most recent Fiscal Year for which audited financial statements exist. In preparing its calculations of the required ratios, the Participant's representative or the independent certified public accountant, as applicable, shall include the proposed debt service requirements with respect to the Non-PPA Indebtedness to be issued,

(e) Indebtedness to finance a PPA Facility, and

(f) short-term Indebtedness for working capital purposes, provided, however, that such Indebtedness may, to the extent secured by the Participant's Accounts Receivable, be secured by no more than ninety percent (90%) of the Participant's Accounts Receivable.

(Section 26)

Defaults and Remedies

As used in the Loan Agreement, the term "Event of Default" shall mean:

(a) the Participants shall default in the timely payment of any amount payable pursuant to the Loan Agreement as described under the heading "Financial Obligations of the Participant; General and Unconditional Obligation; Voluntary Payments" or in the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement, the Series Resolution or the Resolution or in the timely payment of any amount payable pursuant to any loan agreement with DASNY or any agreement with any lender with respect to the Project Property or Public Funds, and such default continues for a period in excess of seven (7) days;

(b) any Participant shall default in the due and punctual performance of any other covenant contained in the Loan Agreement (except as set forth in paragraph (d) below) and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the defaulting Participant by DASNY or the Trustee;

(c) as a result of any default in payment or performance required of the Participants under the Loan Agreement or any Event of Default under the Loan Agreement, whether or not declared, continuing or cured, DASNY shall be in default in the payment or performance of any of its obligations under the Resolution or an “event of default” (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof;

(d) any Participant shall have violated the applicable provisions of regulations or the covenants set forth in the Loan Agreement with respect to compliance with all Government Requirements or shall fail to continue to operate the Project Property as a certified program for the developmentally disabled or others with special needs in accordance with a valid operating certificate duly issued by OPWDD, OMH or OASAS, as applicable, and the Participant, subsequent to 15 days after written notice shall have been given to the Participant by OPWDD, OMH, OASAS or DASNY requiring the same to be remedied, fails to remedy such violation or such failure to operate such certified program;

(e) any Participant shall (i) be generally not paying its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (iii) make a general assignment for the benefit of its creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (v) be adjudicated insolvent or be liquidated or (vi) take corporate action for the purpose of any of the foregoing;

(f) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the affected Participant, a custodian, receiver, trustee or other officer with similar powers with respect to such Participant or with respect to any substantial part of its property, or an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of such Participant, or any petition for any such relief shall be filed against such Participant and such petition shall not be dismissed within ninety (90) days;

(g) the charter or certificate of incorporation of a Participant shall be suspended or revoked;

(h) a petition to dissolve itself shall be filed by any Participant with the legislature of the State or other governmental authority having jurisdiction over such Participant;

(i) an order of dissolution of any Participant shall be made by the legislature of the State or other governmental authority having jurisdiction over such Participant, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days;

(j) a petition shall be filed with a court having jurisdiction for an order directing the sale, disposition or distribution of all or substantially all of the property belonging to any Participant which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days;

(k) an order of a court having jurisdiction shall be made directing the sale, disposition or distribution of all or substantially all of the property belonging to any Participant, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days;

(l) a final judgment for the payment of money, which in the judgment of DASNY will adversely affect the rights of the Bondholders, shall be rendered against any Participant and at any time after forty-five (45) days from the entry thereof, (i) such judgment shall not have been discharged or (ii) such Participant shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within thirty (30) days, the execution of or levy under such judgment, order, decree or process for the enforcement thereof, to have been stayed pending determination of such appeal;

(m) such Participant shall default in the payment of any indebtedness or guaranty aggregating at least $500,000 when due, or shall default in the performance of any other obligations in connection with any indebtedness or guaranty aggregating at least $500,000 which default entitles the holder of such indebtedness or guaranty to accelerate such Participant's obligations thereunder; or

(n) any Participant is in default under the Mortgage, if any.

Upon the occurrence of an Event of Default DASNY may take any one or more of the following actions:

(a) declare all sums payable by the Participants under the Loan Agreement immediately due and payable;

(b) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of the Loan or the Applicable Project Loan Account of the Project Loan Fund or otherwise to which any Participant may otherwise be entitled under the Loan Agreement and in DASNY's sole discretion, apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

(c) withhold any or all further performance under the Loan Agreement;

(d) maintain an action against any Participant under the Loan Agreement to recover any sums payable by the Participants or to require its compliance with the terms of the Loan Agreement;

(e) permit, direct or request the Trustee to liquidate all or any portion of the assets comprising the Participants' Allocable Portion of the Debt Service Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Participants' Allocable Portion of the Bonds, or any other obligation or liability of the Participants or DASNY arising herefrom, from the Series Resolution or from the Resolution;

(f) realize upon any security interest which DASNY may then have in the pledge and assignment of the Pledged Revenues and the rights to receive the same, whether pursuant to the Intercept Agreement or otherwise, all to the extent provided in the Loan Agreement as described under the headings "Security Interest in Pledged Revenues" and "Collection of Pledged

Revenues" above, by any one or more of the following actions: (i) enter the Project Property or the property of any Participant and examine and make copies of the financial books and records of any Participant relating to the Pledged Revenues and, to the extent of the assigned Pledged Revenues, take possession of all checks or other orders for payment of money and moneys in the possession of a Participant representing Pledged Revenues or proceeds thereof; (ii) [Reserved]; (iii) [Reserved]; (iv) require the Participants to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Loan Agreement within five (5) Business Days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by DASNY, provided that the moneys in such fund or account shall be applied by DASNY to the payment of any of the obligations of the Participants under the Loan Agreement including the fees and expenses of DASNY; and provided further that DASNY in its sole discretion may authorize any Participant to make withdrawals from such fund or account for its corporate purposes; and provided further that the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Participants when all Events of Default under the Loan Agreement by the Participants have been cured; (v) forbid the Participants to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any Person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; (vi) endorse in the name of any Participant any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof; and (vii) follow the procedures for the collection of Pledged Revenues as provided in the Act and in the Loan Agreement as described under the heading "Collection of Pledged Revenues" above;

(g) if applicable and to the extent permitted by law, (i) enter upon the Project Property and complete the construction of such Project Property in accordance with the plans and specifications with such changes therein as DASNY may deem appropriate and employ watchmen to protect such Project Property, all at the risk, cost and expense of the Participants, consent to such entry being given by the Participants; (ii) at any time discontinue any work commenced in respect of the construction of the Project Property or change any course of action undertaken by any Participant and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise; (iii) assume any construction contract made by any Participant in any way relating to the construction of the Project Property and take over and use all or any part of the labor, materials, supplies and equipment contracted for by any Participant, whether or not previously incorporated into the construction of the Project Property; and (iv) in connection with the construction of the Project Property undertaken by DASNY pursuant to the provisions of this paragraph (g), (x) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of the Project Property, (y) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of DASNY applicable to the construction of the Project Property, or which have been or may be incurred in any manner in connection with completing the construction of the Project Property or for the discharge of liens, encumbrances or defects in the title to the Project Property or against any moneys of DASNY applicable to the construction of the Project Property, and (z) take or refrain from taking such action under the Loan Agreement as DASNY may from time to time determine. The Participants shall be liable to DASNY for all sums paid or incurred for construction of the Project Property whether the same shall be paid or incurred pursuant to the provisions of this paragraph (g) or otherwise, and all payments made or liabilities incurred by DASNY under the Loan Agreement of any kind whatsoever shall be paid by the Participants to DASNY upon demand. Each Participant irrevocably constitutes and appoints DASNY its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Participant for the purpose of exercising the rights granted to DASNY by this subparagraph during the term of the Loan Agreement;

(h) request OPWDD, OMH or OASAS, as applicable, in accordance with applicable statutes and regulations, to enter the Project Property, or replace a Participant with another operator, to take possession without judicial action of all real property contained in such Project Property and all personal property located in or on or used in connection with the Project Property, including furnishings and equipment thereon, and further including Pledged Revenues and cause to be operated thereon a certified program for the developmentally disabled or other person with special needs within the Project Property in accordance with a valid operating certificate duly issued by OPWDD, OMH or OASAS, as applicable;

(i) require any Participant to engage, at the Participant's expense, a Management Consultant to review the rates, operations and management of the Participant and any other matter deemed appropriate by DASNY and make recommendations with respect to such rates, operations, management and other matters; and

(j) take any legal or equitable action necessary to enable DASNY to realize on its liens under the Loan Agreement, under the Mortgage, or by law, including foreclosure of the Mortgage, and any other action or proceeding permitted by the terms of the Loan Agreement, by the Mortgage or by law.

All rights and remedies in the Loan Agreement given or granted to DASNY are, to the extent permitted by law, cumulative, non-exclusive and in addition to any and all rights and remedies that DASNY may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy shall effect a waiver of DASNY's right to exercise such remedy thereafter.

At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, DASNY may annul any declaration made pursuant to paragraph (a) above and its consequences if such Events of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

In the event of an Event of Default under the Loan Agreement as described in paragraph (d), (e), (f), (g), (h), (i), (j), (k) or (l) above shall have occurred and be continuing with respect to any Participant, or in the event that OPWDD, OMH or OASAS, as applicable, shall have revoked any Participant's license to operate as a qualified operator, the affected Participant shall exercise best efforts in accordance with all applicable laws and regulations, to facilitate the continued availability of its respective facilities for the benefit of its clients and patients including but not limited to cooperating with any OPWDD, OMH or OASAS qualified service provider, as applicable, in order to permit such service provider to assume the affected Participant's liabilities and obligations to provide benefits to such clients and patients. In furtherance of such purposes the Participants agree to cooperate with all State regulatory agencies and acknowledge that DASNY's enforcement of such cooperation constitutes an exercise of the police powers of the State for the public good of the citizens of the State.

(Section 29)

Arbitrage

Each Participant covenants that it shall take no action, nor shall it consent to the taking of any action, nor shall it fail to take any action or consent to the failure to take any action, the making of any investment or the use of the Loan, which would cause the Subseries 2021A-1 Bonds of any Series to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Subseries 2021A-1 Bonds at the time of such action, investment or use. No Participant (or any related person, as defined for purposes of Section 148 of the Code) shall, pursuant to an arrangement, formal or informal, purchase Subseries 2021A-1 Bonds in an amount related to the amount of any obligation to be acquired from a Participant by DASNY, unless DASNY and the Trustee shall receive an opinion of Bond Counsel to the effect that the purchase by a Participant or by a related person of Subseries 2021A-1 Bonds will not cause interest on the Subseries 2021A-1 Bonds to be included in the gross income of the owners of such Subseries 2021A-1 Bonds for purposes of federal income taxation. Each Participant will, on a timely basis, provide DASNY with all necessary information and funds not in DASNY's possession, to enable DASNY to comply with the arbitrage and rebate requirements of the Code as identified in the Resolution. The Participants shall be required to pay for any consultant or report necessary to satisfy any such arbitrage and rebate requirement. Each Participant covenants that it will not take any action or fail to take any action which would cause any representation or warranty of any Participant contained in the tax certificate then to be untrue and that it shall comply with all covenants and agreements of the Participant contained in the tax certificate, in each case to the extent required by and otherwise in compliance with such tax certificate. In the event that DASNY is notified in writing that the Subseries 2021A-1 Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Participants. In the event that any Participant is notified in writing that the Subseries 2021A-1 Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, the Participant shall promptly give notice thereof to DASNY. Upon the occurrence of such an event, the Participants and DASNY shall fully cooperate with one another and participate in all aspects of the conduct of the response thereto.

(Section 40)

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APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

The following is a brief summary of certain provisions of the Resolution and the Series 2021A Resolution (collectively, the "Resolutions"). This summary does not purport to be complete and reference is made to the Resolutions for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix D or in the body of this Official Statement.

Resolution and Bonds Constitute a Contract

It is the intent of the Resolution to authorize the issuance by DASNY, from time to time, of its InterAgency Council Pooled Loan Program Revenue Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and, *inter alia,* to be separately secured from each other Series of Bonds. Each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the respective Series Resolution authorizing such Series of Bonds. With respect to each Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of a Series authorized to be issued under the Resolution and under a Series Resolution by those who shall hold or own the same from time to time, the Resolution and any Applicable Series Resolution shall be deemed to be and shall constitute a contract among DASNY, the Trustee and the Holders from time to time of the Bonds of such Series, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of DASNY shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any Bonds of such Series over any other Bonds of such Series except as expressly provided in the Resolution or permitted by the Resolution or by a Series Resolution.

(Section 1.03)

Assignment of Certain Rights and Remedies to the Trustee: Assignment of Mortgages

With respect to each Series of Bonds, as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Outstanding Bonds of such Series and for the performance of each other obligation of DASNY under the Resolution and under an Applicable Series Resolution, DASNY may grant, pledge and assign to the Trustee all of DASNY's estate, right, title, interest and claim in, to and under any and all of the Applicable Loan Agreements and any Applicable Mortgage, together with all rights, powers, security interests, privileges, options and other benefits of DASNY under any such Loan Agreement and such Mortgage, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance herewith and with the Applicable Series Resolution) all Revenues, insurance proceeds, sales proceeds and other payments and other security now or hereafter payable to or receivable by DASNY under any such Loan Agreement or Mortgage, and the right to make all waivers and agreements in the name and on behalf of DASNY, as agent and attorney-in-fact, and to perform all other necessary and appropriate acts under any such Loan Agreement or Mortgage, subject to the following conditions: (a) that the Holders of such Bonds shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by DASNY; (b) that, unless and until the Trustee is assigned such Loan Agreement or Mortgage, and further, unless and until (i) an "Event of Default" (as defined in such Loan Agreement) shall have occurred and be continuing under such Loan Agreement, and (ii) the Trustee in its discretion shall so elect by instrument in writing delivered to DASNY and the Applicable Participant, the Trustee shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in such Loan Agreement or Mortgage to be performed by DASNY (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision); and (c) that such Mortgage may not be assigned by any party thereto without the written consent of the other parties thereto except to such Trustee as permitted by the Resolution; *provided, however*, that any grant, pledge and assignment of moneys, revenues, accounts, rights or other property of a Participant made with respect to such Loan Agreement or Mortgage pursuant to this paragraph shall secure only the payment of the amounts payable under such Loan Agreement and Mortgage. Until such time as such Loan Agreement and Mortgage are assigned to the Trustee and the Trustee shall make the election provided for in this paragraph, DASNY shall remain liable to observe and perform all the conditions and covenants in such Loan Agreement or Mortgage to be observed and performed by it.

Upon the happening of (a) any withdrawal from any Participant's Allocable Portion of the Debt Service Reserve Fund, if any, securing such Participant's Allocable Portion of the Applicable Series of Bonds which has not been restored to such Participant's Allocable Portion of the Debt Service Reserve Fund Requirement within thirty (30) days after notice given in accordance with the Applicable Series Resolution has been received by DASNY, or (b) the occurrence of an event of default specified in paragraph (d) of under the caption "*Events of Default*" in this Appendix F, DASNY shall assign to the Trustee for the benefit of the Bondholders of the Applicable Series all of its right, title and interest in and to the Mortgage, if any, of said non-performing Participant and in and to the rights of DASNY under the Applicable Loan Agreement to exercise any of the remedies provided thereby for the enforcement of the obligations of such Participant to make the payments thereunder, including the right to declare the indebtedness and all Loan Repayments thereunder immediately due and payable and to foreclose the lien of such Mortgage, as applicable; *provided, however*, that DASNY may retain the right to the payment of the fees, costs and expenses of DASNY payable pursuant to the Applicable Loan Agreement, the right to the indemnities provided thereby, the right to the payments, if any, required to be made pursuant to such indemnities and the right to exercise any of the remedies available thereunder for the enforcement of the obligations of such Participant, the rights to which have been retained by DASNY. Such assignment shall be made by the execution and delivery to the Trustee of documents of assignment in form and substance reasonably acceptable to the Trustee. If prior to the foreclosure of any such Mortgage, such Debt Service Reserve Fund has been restored to its Debt Service Reserve Fund Requirement, the Trustee shall, upon the request of DASNY, reassign to DASNY all right, title and interest in and to such Loan Agreement and said Mortgage assigned to it pursuant to this paragraph. Any such reassignment shall be made by the execution and delivery to DASNY of documents of reassignment in form and substance reasonably acceptable to DASNY.

In the event DASNY grants, pledges and assigns to the Trustee any of its rights as provided in above, the Trustee shall accept such grant, pledge and assignment, which acceptance shall be evidenced in writing and signed by an Authorized Officer of the Trustee.

(Section 1.04)

Additional Obligations

DASNY reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of DASNY, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien created by the Resolution and pursuant to a Series Resolution, or prior or equal to the rights of DASNY and Holders of Bonds of the Applicable Series of Bonds provided by the Resolution or with respect to the moneys pledged under the Resolution or pursuant to a Series Resolution.

(Section 2.05)

Pledge of Revenues

Subject to the provisions of the first paragraph under the caption "*Limitation on Revenues and Security Available for Payments After Certain Defaults; Priority of Payments After Default; Cancellation and Replacement of Certain Bonds*" in this Appendix F, the proceeds from the sale of a Series of Bonds, the Applicable Revenues, DASNY's security interest in the Applicable Pledged Revenues and all funds and accounts authorized by the Resolution and established pursuant to an Applicable Series Resolution, other than the Arbitrage Rebate Fund, are by the Resolution, subject to the terms of the Applicable Series Resolution, pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on such Series of Bonds and as security for the performance of any other obligation of DASNY under the Resolution and under the Applicable Series Resolution, all in accordance with the provisions of the Resolution and the terms of the Applicable Series Resolution. Unless otherwise provided in the Applicable Series Resolution, the pledge made by the Resolution shall relate only to the Bonds of a Series authorized by the Applicable Series Resolution and no other Series of Bonds and such pledge shall not secure any other Series of Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds of the sale of such Series of Bonds, the Applicable Revenues, DASNY's security interest in the Applicable Pledged Revenues and all funds and accounts authorized by the Resolution and established pursuant to the Applicable Series Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against DASNY irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. Subject to the provisions of the first paragraph under the caption "*Limitation on Revenues and Security Available for Payments After Certain Defaults; Priority of Payments After Default; Cancellation and Replacement of Certain Bonds*" in this Appendix F, each Series of Bonds shall be special obligations of DASNY payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the Applicable Revenues, DASNY's security interest in the Applicable Pledged Revenues and the funds and accounts established by the Resolution and pursuant to the Applicable Series Resolution, which pledge shall constitute a first lien thereon, subject only, with respect to such Applicable Pledged Revenues, to the Prior Pledges.

(Section 5.01)

Establishment of Funds and Accounts

Unless otherwise provided by the Applicable Series Resolution, the following funds are authorized to be established and shall be held and maintained for each Series of Bonds by the Trustee separate and apart from any other funds and accounts established and maintained pursuant to any other Series Resolution:

Project Loan Fund;
Debt Service Fund; and
Arbitrage Rebate Fund.

In addition to the funds and accounts listed above, the Series 2021A Resolution establishes a Debt Service Reserve Fund to be held and maintained by the Trustee with respect to the Series 2021A Bonds.

Accounts and subaccounts within each of the foregoing funds may from time to time be established in accordance with an Applicable Series Resolution, an Applicable Bond Series Certificate or upon the direction of DASNY, including in the Project Loan Fund, separate Project Loan Accounts, and in the Debt Service Fund, separate Debt Service Accounts, in each case, for each Applicable Participant and Loan. All moneys at any time deposited in any fund, account or subaccount created and pledged by the Resolution or by a Series Resolution or required by the Resolution or thereby to be created shall be held in trust for the benefit of the Holders of the Applicable Series of Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided herein, unless otherwise provided in the Applicable Series Resolution.

All references in the Resolution to the Project Loan Fund, the Debt Service Fund, the Arbitrage Rebate Fund or the Debt Service Reserve Fund shall mean the particular Project Loan Fund, Debt Service Fund, Arbitrage Rebate Fund or Debt Service Reserve Fund designated and established by DASNY with respect to a particular Series of Bonds in the Applicable Series Resolution or in the Applicable Bond Series Certificate as authorized by the Resolution.

(Section 5.02 of the Resolution and Section 5.01 of the Series 2021A Resolution)

Application of Bond Proceeds and Allocation Thereof.

Upon the receipt of proceeds from the sale of a Series of Bonds, DASNY shall apply such proceeds as specified herein and in the Applicable Series Resolution or the Applicable Bond Series Certificate.

Accrued interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Applicable Debt Service Account in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Applicable Series Resolution or the Applicable Bond Series Certificate.

(Section 5.03)

Application of Moneys in the Project Loan Fund

DASNY shall apply moneys in each of the Project Loan Accounts established in the Project Loan Fund for the purpose of making Loans to the Participants in accordance with the Loan Agreements. Proceeds of each such Loan shall be held in a separate Project Loan Account established with respect to each Applicable Participant and shall be disbursed for the purposes as set forth in the Applicable Series Resolution, the Applicable Bond Series Certificate or Applicable Loan Agreement. The Allocable Portion of the Debt Service Reserve Fund Requirement, if any, and of the Costs of Issuance funded from proceeds of a Series of Bonds shall be accounted for separately for each Participant, and the total amount of the Loan to each Participant shall include such Allocable Portions. In addition, DASNY shall remit to the Trustee and the Trustee shall deposit in the Applicable Project Loan Account in the Project Loan Fund any moneys paid or instruments payable to DASNY derived from insurance proceeds or condemnation awards from any Applicable Project.

Except as otherwise provided in the Resolution and the Applicable Series Resolution or the Applicable Bond Series Certificate, moneys deposited in a Project Loan Account in the Project Loan Fund shall be used only to pay the Costs of Issuance of the Applicable Series of Bonds and the Costs of the Project or Projects with respect to which such Applicable Series of Bonds were issued.

Payments for Costs of a Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of DASNY stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Such certificate or certificates shall be substantiated by a certificate filed with DASNY signed by an Authorized Officer of the Applicable Participant, describing in reasonable detail the purpose for which moneys were used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of such Project except that payments to pay interest on an Applicable Series of Bonds shall be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of DASNY directing the Trustee to transfer such amount from the Applicable Project Loan Account in the Project Loan Fund to the Applicable Debt Service Account in the Debt Service Fund.

Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, DASNY or a Participant with respect to a particular Project or the Mortgaged Property shall be deposited in the Applicable Project Loan Account in the Project Loan Fund and, if necessary, such fund may be reestablished for such purpose and, if such proceeds are not used to repair, restore or replace such Project, transferred to the Applicable Debt Service Account of the Debt Service Fund for the redemption of the Applicable Series of Bonds or such portion thereof which corresponds to the Allocable Portion of the principal of and interest on the Loan made to fund such Project.

Each Project shall be deemed to be complete (a) upon delivery to DASNY and the Trustee of a certificate signed by an Authorized Officer of the Applicable Participant, which certificate shall be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to the Applicable Participant and the Trustee of a certificate of DASNY, which certificate may be delivered at any time after completion of such related Project. Each such certificate shall state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of such Applicable Participant, shall specify the date of completion.

Upon receipt by the Trustee of the certificate relating to the completion of a Project, the moneys, if any, then remaining in the Applicable Project Loan Account, after making provision in accordance with the direction of DASNY for the payment of the Allocable Portion of the Costs of Issuance of the Applicable Series of Bonds and Costs of a Project then unpaid with respect to the Applicable Loan, shall be paid by the Trustee as follows and in the following order of priority:

FIRST: Upon the direction of DASNY, to the Arbitrage Rebate Fund, the amount set forth in such direction which shall be an amount equal to such Participant's Allocable Portion of Arbitrage Rebate due to the United States Federal Government with respect to such Loan and the Applicable Series of Bonds;

SECOND: To the Debt Service Reserve Fund, if any, established in connection with the Applicable Series of Bonds, such amount as shall be necessary to make the amount on deposit in such Fund equal to such Participant's Allocable Portion of the Debt Service Reserve Fund Requirement established therefor; and

THIRD: Any balance remaining, to the Applicable Debt Service Account in the Debt Service Fund for the redemption or purchase, in accordance with this Resolution and the Applicable Series Resolution or Applicable Bond Series Certificate, of the Bonds of the Applicable Series or any portion thereof which corresponds to such Participant's Allocable Portion of the principal and interest on such Bonds.

(Section 5.04)

Deposit of Revenues and Allocation Thereof.

The Revenues and any other moneys which, by the provisions of each of the Loan Agreements are required to be deposited in separate Debt Service Accounts established in the Debt Service Fund with respect to each Loan made to a Participant, shall be deposited to the credit of the Applicable Debt Service Account of the Debt Service Fund.

To the extent not required to pay an Applicable Participant's Allocable Portion with respect to its Loan of (a) the interest becoming due on the Outstanding Bonds of the Applicable Series on the next succeeding interest payment date of such Bonds; (b)(i) in the case of amounts deposited in the respective Debt Service Account during the period from the beginning of each Bond Year until December 31 thereof, the amount necessary to pay one-half (1/2) of the principal and Sinking Fund Installments becoming due on the Outstanding Bonds of the Applicable Series on the next succeeding July 1; and (ii) in the case of amounts deposited in the respective Debt Service Accounts after December 31 in a Bond Year and until the end of such Bond Year, the amount necessary to pay the principal and Sinking Fund Installments becoming due on the Outstanding Bonds of the Applicable Series on such July 1; and (c) moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, then moneys (other than Contribution Amounts) in each of the respective Debt Service Accounts of the Debt Service Fund shall, with respect to each Applicable Participant and Applicable Loan, be paid by the Trustee, on or before the Business Day preceding each interest payment date for the Applicable Series of Bonds, as follows and in the following order of priority:

FIRST: To reimburse, *pro rata*, each Applicable Facility Provider which has issued a Reserve Fund Facility for moneys advanced thereunder relating to such Participant's Allocable Portion of the Debt Service Reserve Fund, if any, established with respect to such Applicable Series of Bonds, including interest thereon, in proportion to the respective amounts advanced by each such Facility Provider;

SECOND: To the Debt Service Reserve Fund, if any, (i) the amount, if any, necessary to make such Participant's Allocable Portion with respect to the Applicable Loan of the amount on deposit therein equal to the Debt Service Reserve Fund Requirement established with respect to the Applicable Series of Bonds, and (ii) a portion of earnings accruing on amounts held in the Debt Service Fund as DASNY shall determine to be necessary together with other amounts and investments held in the Debt Service Reserve Fund to amortize the portion of the Applicable Series of Bonds, the proceeds of which have been credited to the Debt Service Reserve Fund; and

THIRD: To DASNY, unless otherwise paid, such amounts as are payable to DASNY relating to such Participant's Allocable Portion with respect to the Applicable Loan of: (i) expenditures of DASNY for fees and expenses of auditing, and fees and expenses of the Trustee and Applicable Paying Agent, all as required hereby, (ii) all other expenditures reasonably and necessarily incurred by DASNY in connection with the financing of the particular Project relating to such Loan, including expenses incurred by DASNY to compel full and punctual performance of all the provisions of the Applicable Loan Agreement or Mortgage in accordance with the terms thereof, and (iii) the Annual Administrative Fee of DASNY; but only upon receipt by the Trustee of a certificate of DASNY, stating in reasonable detail the amounts payable to DASNY pursuant to this paragraph THIRD.

After making the above required payments with respect to each Applicable Participant and Applicable Loan, any balance remaining in each of the respective Debt Service Accounts (except for Contribution Amounts which shall remain in such accounts) on the immediately succeeding July 1 shall be paid by the Trustee upon and in accordance with the direction of DASNY to the Applicable Participants in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created hereby or by the Applicable Loan Agreements. The Trustee shall notify DASNY and such Participants promptly after making the payments required above of any balance remaining in the Debt Service Fund on the immediately succeeding July 1.

Notwithstanding the above provisions under this caption "*Deposit of Revenues and Allocation Thereof*" or of the provisions under the caption "*Debt Service Fund*" below in this Appendix F, DASNY may, at any time subsequent to July 1 of any Bond Year but in no event less than forty-five (45) days prior to the succeeding July 1 on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of an Applicable Series to be redeemed from such Sinking Fund Installment. Any such Term Bond so purchased and any Term Bonds purchased by any Applicable Participant and delivered to the Trustee in accordance with any Loan Agreement shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to DASNY. The principal amount of such Term Bond so cancelled shall be credited against the principal payment due on the Applicable Loan with respect to such Sinking Fund Installment on such first day of July; provided that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given.

(Section 5.05)

Debt Service Fund

The Trustee shall on or before the Business Day preceding each interest payment date for Bonds of an Applicable Series pay, from each of the respective Debt Service Accounts of the Debt Service Fund, to itself and any other Paying Agent for the benefit of the Bondholders:

(i) the interest due on all Outstanding Bonds of an Applicable Series on such interest payment date;

(ii) the principal amount due on all Outstanding Bonds of an Applicable Series on such interest payment date;

(iii) the Sinking Fund Installments, if any, due on all Outstanding Bonds of an Applicable Series on such interest payment date; and

(iv) moneys required for the redemption of Bonds of an Applicable Series in accordance with the Resolution.

The amounts paid out pursuant to the provisions of the Resolution summarized herein shall be irrevocably pledged to and applied to such payments. Contribution Amounts with respect to an Applicable Participant and Applicable Loan shall be applied only to the payment of such Participant's Allocable Portion of the principal and Sinking Fund Installments due on Outstanding Bonds of an Applicable Series pursuant to subdivision (ii), (iii) and (iv) above.

(Section 5.06)

Application of Moneys in the Debt Service Fund for Redemption of Bonds.

Moneys delivered to the Trustee, which by the provisions of the Applicable Loan Agreement, the Applicable Series Resolution or the Resolution are to be applied to the redemption of a Participant's Allocable Portion of a Series of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Applicable Debt Service Account in the Debt Service Fund for such purpose.

In accordance with the Resolution, in the event that on any interest payment date the amount in any Debt Service Account of the Debt Service Fund, exclusive of amounts therein deposited for the redemption of the Applicable Series of Bonds, shall be less than the amounts respectively required for payment of an Applicable Participant's Allocable Portion of interest on such Outstanding Bonds, for the payment of an Applicable Participant's Allocable Portion of principal of such Outstanding Bonds or for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date, the Trustee shall apply moneys in the Applicable Debt Service Account of the Debt Service Fund deposited therein for the redemption of such Bonds (other than moneys required to pay the Redemption Price of any such Outstanding Bonds theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) *first*, to the payment of interest on such Bonds, and, *second*, to the payment of the principal or Sinking Fund Installments of such Bonds, respectively.

Subject to the provisions of the preceding paragraph, moneys in the Debt Service Fund to be used for redemption of Bonds of an Applicable Series shall be applied by the Trustee to the purchase of such Outstanding Bonds at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as DASNY shall direct.

Notwithstanding the provisions of the preceding paragraph, if the amount in a Debt Service Account (other than moneys on deposit therein required to pay the Applicable Participant's Allocable Portion of the Redemption Price of any Outstanding Bonds of the Applicable Series theretofore called for redemption or to pay such Applicable Participant's Allocable Portion of the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) shall at any time be sufficient to make provision for the payment of the Allocable Portion of the Outstanding Bonds of an Applicable Series relating to such Applicable Participant's Loan at the maturity or redemption date thereof, DASNY may request the Trustee to take such action as is required by the Resolution to deem certain of such Bonds or portions thereof to have been paid within the meaning of the Resolution. The Trustee, upon receipt of such request, the irrevocable instructions required by the Resolution and irrevocable instructions of DASNY to purchase Defeasance Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 5.07)

Debt Service Reserve Fund

(a) The Debt Service Reserve Fund shall be maintained at an amount equal to the Debt Service Reserve Fund Requirement established therefor in the Bond Series Certificate. The Trustee shall deposit to the credit of each account established in the Debt Service Reserve Fund such proceeds of the sale of the Series 2021A Bonds or Permitted Investments in an amount sufficient to satisfy each Applicable Series 2021A Participant's Allocable Portion of the Debt Service Reserve Fund Requirement as set forth in the Applicable Bond Series Certificate. An Applicable Series 2021A Participant's Allocable Portion of a Debt Service Reserve Fund, together with any interest thereon, shall be replenished in accordance with the Applicable Loan Agreement following application thereof pursuant to paragraph (b) below.

In lieu of or in substitution for moneys or Permitted Investments otherwise required to be deposited in the Debt Service Reserve Fund, DASNY may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Series 2021A Bonds for all or any part of the Debt Service Reserve Fund Requirement or any Applicable Series 2021A Participant's Allocable Portion thereof; provided that if such Reserve Fund Facility consists of a surety bond or insurance policy, any such Reserve Fund Facility shall be issued by an insurance company or association duly authorized to do business in the State (i) the claims paying ability of which is rated the highest rating accorded by a nationally recognized insurance rating agency or (ii) obligations supported by a Reserve Fund Facility issued by such company or association are rated at the time such Reserve Fund Facility is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category by Moody's and S&P or, if Outstanding Bonds of a Series are not rated by Moody's and S&P by whichever of said rating services that then rates Outstanding Bonds; and provided, further, that if the Reserve Fund Facility consists of a Letter of Credit, such Letter of Credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a Letter of Credit issued by such person, are rated at the time such Letter of Credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P or, if the Outstanding Series 2021A are not rated by Moody's and S&P by whichever of said rating services that then rates the Outstanding Series 2021A Bonds.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Debt Service Reserve Fund Requirement unless the Trustee shall have received prior to such deposit (i) an opinion of counsel acceptable to DASNY to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, and (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to DASNY.

Each Reserve Fund Facility shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made without (i) if the Reserve Fund Facility consists of a Letter of Credit, drawing upon the Letter of Credit, or (ii) if the Reserve Fund Facility consists of a surety bond or insurance policy, obtaining payment under such surety bond or insurance policy.

For the purposes of this section and, in computing the amount on deposit in the Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

Except as otherwise provided in the Resolutions, moneys and investments held for the credit of the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be transferred to the Applicable Debt Service Account of the Debt Service Fund and applied in accordance with the Resolution.

If, upon a valuation, the value of all moneys, Permitted Investments and Reserve Fund Facilities held for the credit of an Applicable Series 2021A Participant's Allocable Portion of a Debt Service Reserve Fund is less than such Applicable Series 2021A Participant's Allocable Portion of the Debt Service Reserve Fund Requirement, the Trustee shall immediately notify DASNY, each Applicable Facility Provider and the Applicable Series 2021A Participant of such deficiency. Such Applicable Series 2021A Participant shall, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustee money or Permitted Investments the value of which is sufficient to increase the Applicable Series 2021A Participant's Allocable Portion of the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

(b) In the event that on the fourth (4th) Business Day preceding any interest payment date the amount on deposit in an Applicable Debt Service Account of a Debt Service Fund shall be insufficient to pay the Applicable Series 2021A Participant's Allocable Portion of, respectively, interest on the Outstanding Series 2021A Bonds, principal of such Outstanding Bonds, Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or the purchase price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall transfer funds from the Applicable Debt Service Reserve Account of the Debt Service Reserve Fund to the Applicable Debt Service Account of the Debt Service Fund in such amounts as shall be necessary to provide for such payments. The Trustee shall notify each Applicable Facility Provider, if any, of any withdrawal from the Debt Service Reserve Fund.

A Series 2021A Participant's Allocable Portion of the Debt Service Reserve Fund shall also be applied to the extraordinary mandatory redemption of the Allocable Portion of the Series 2021A Bonds upon the acceleration of such Series 2021A Participant's Loan pursuant to the Applicable Loan Agreement.

Upon the exercise by a Series 2021A Participant of its option to prepay its Loan under the Applicable Loan Agreement and upon final maturity of a Participant's Allocable Portion of the Series 2021A Bonds, the Trustee shall transfer such Applicable Participant's Allocable Portion of the Debt Service Reserve Fund to the Applicable Debt Service Account of the Debt Service Fund for application to payment of the portion of principal of and interest on the Applicable Subseries of Series 2021A Bonds which (i) which correspond to the principal of and interest on the Loan so prepaid or (ii) so maturing.

(c) The Trustee, as promptly as practicable (i) after the end of each calendar month, (ii) upon the request of DASNY, (iii) upon the request of a Series 2021A Participant, but not more frequently than once a calendar month, and (iv) at such other times as may be necessary in connection with a withdrawal and deposit made pursuant to the Series 2021A Resolution or the Resolution, shall compute the value of the assets in the Debt Service Reserve Fund, in the case of the requirement under (i) above, on the last day of each such month, in the case of a request pursuant to (ii) or (iii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit, and notify DASNY and such Series 2021A Participant as to the results of such computation and the amount by which the value of the assets in the Debt Service Reserve Fund exceeds or is less than the Debt Service Reserve Fund Requirement.

(Sections 5.03, 5.04 and 5.05 of the Series 2021A Resolution)

Arbitrage Rebate Fund

The Trustee shall deposit to the Applicable Account in the Arbitrage Rebate Fund any moneys delivered to it by each of the Applicable Participants for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of DASNY, moneys on deposit in any other funds held by such Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of DASNY to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as DASNY shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which DASNY determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund in accordance with the directions of DASNY.

If and to the extent required by the Code, DASNY shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to an Applicable Series of Bonds and direct the Trustee to (i) transfer from the Applicable Account of any other of the funds held by the Trustee under and deposit to the Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States or America the amount, if any, required by the Code to be rebated thereto.

(Section 5.08)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if, upon the computation of assets in the Applicable Debt Service Account of the Debt Service Fund, the Applicable Project Loan Account of the Project Loan Fund and of an Applicable Participant's Allocable Portion of the Debt Service Reserve Fund, if applicable, the amounts held therein are sufficient to pay the principal or Redemption Price of a Participant's Allocable Portion of all Outstanding Bonds of the Applicable Series and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds shall be redeemable, the Trustee shall so notify DASNY and the Applicable Participant. Upon receipt of such notice, DASNY may request the Trustee to redeem Outstanding Bonds of the Applicable Series in an amount which corresponds to such Participant's Allocable Portion thereof. The Trustee shall, upon receipt of such request in writing by DASNY, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds hereby and by the Applicable Series Resolution as provided in Article IV hereof.

(Section 5.09)

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of DASNY and the Holders of a Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; *provided, however*, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with it or them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on a Series of Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions hereof as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

(a) Money held under the Resolution by the Trustee, and, if there is an Event of Default, under an Applicable Loan Agreement, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of DASNY given or confirmed in writing (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations or Exempt Obligations; *provided, however,* that each such investment shall permit the money so deposited or invested to be available for use at the times at which DASNY reasonably believes such money will be required for the purposes hereof.

(b) Except as may be otherwise provided in a Series Resolution, in lieu of the investment of moneys in obligations authorized in paragraph (a) above, the Trustee shall, to the extent permitted by law, upon direction of DASNY given or confirmed in writing, invest moneys in the Project Loan Fund and the Debt Service Reserve Fund, if applicable, and any account held therein in any Permitted Investment; *provided, however*, that each such investment shall permit the money so deposited or invested to be available for use at the times at which DASNY reasonably believes such money will be required for the purposes hereof, *provided, further*, that (a) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (b) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of DASNY, and (c) the Permitted Collateral shall be free and clear of claims of any other person.

(c) Permitted Investments purchased as an investment of money in any fund or account held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

(d) Except as may otherwise be provided in a Series Resolution, in computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in the Debt Service Reserve Fund, if any, shall be valued at par or the cost thereof, plus accrued interest, whichever is lower.

(e) Notwithstanding anything in the Resolution to the contrary, DASNY, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant the Resolution and the proceeds thereof may be reinvested as provided in the Resolution summarized herein. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide money to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise DASNY and the Applicable Participants in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account hereunder and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (a), (b) and (c) above. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

(f) Except with respect to Bonds the interest on which was intended to be included in gross income under Section 103 of the Code, no part of the proceeds of a Series of Bonds or any other funds or accounts of DASNY shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

Creation of Liens

Except as may otherwise be provided in the Resolution or in an Applicable Series Resolution, DASNY shall not create or cause to be created any lien or charge prior or equal to that of the Bonds of a Series on the proceeds from the sale of such Series of Bonds, the Revenues pledged for such Series of Bonds, the rights of DASNY to receive payments to be made under the Applicable Loan Agreement that are to be deposited with the Trustee, the Applicable Pledged Revenues (subject to Prior Pledges) or the funds and accounts established by the Resolution and pursuant to the Applicable Series Resolution which are pledged by the Resolution; *provided, however*, that nothing contained in the Resolution shall prevent DASNY from issuing bonds, notes or other obligations under other and separate resolutions so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the Participants

DASNY shall take all legally available action to cause each of the Participants to perform fully all duties and acts and comply fully with the covenants of such Participant required by the respective Loan Agreements in the manner and at the times provided in such Loan Agreements; *provided, however*, that DASNY may delay, defer or waive enforcement of one or more provisions of said Loan Agreements (other than provisions requiring the payment of moneys or the delivery of securities to the Trustee for deposit to any fund or account established under the Resolutions) if DASNY determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of a Series.

(Section 7.07)

Amendment of Loan Agreements

A Loan Agreement may not be amended, changed, modified, altered or terminated nor may any provision thereof be waived if any such amendment, change, modification, alteration, termination or waiver would adversely affect the interest of the Holders of Outstanding Bonds of the Applicable Series in any material respect without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds of such Applicable Series then Outstanding; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of the Applicable Series remain Outstanding the consent of the Holders of such Bonds shall not be required; and *provided, further*, that no such amendment, change, modification, alteration, or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds of a Series the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Applicable Participant under such Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Any consent given pursuant to this paragraph by the Holders of Bonds shall, except as otherwise provided in the paragraphs summarized herein, be given in the same manner required by for amendments to the Resolution.

Except as otherwise provided in under this heading "*Amendment of Loan Agreements*," a Loan Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds of the Applicable Series or the Trustee. Specifically, and without limiting the generality of the foregoing, a Loan Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds of the Applicable Series (i) to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, the providing, furnishing and equipping of any facilities constituting a part of a Project or which may be added to such Project or the issuance of Bonds, or (ii) with the consent of the Trustee, to cure any ambiguity, or to correct or supplement any provisions contained in any Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Loan Agreement. Upon execution by DASNY of any amendment, a copy thereof certified by DASNY shall be filed with the Trustee.

For the purposes of this section entitled "*Amendment of Loan Agreements*," Outstanding Bonds of the Applicable Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Applicable Loan Agreement if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of the Applicable Series would be adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on DASNY and all Holders of such Bonds. For all purposes of this section entitled "*Amendment of Loan Agreements*," the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds of the Applicable Series then Outstanding.

(Section 7.11)

Modification and Amendment without Consent

Notwithstanding any other provisions of the Resolution, DASNY may adopt at any time or from time to time a Supplemental Resolution for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of DASNY:

(a) To add additional covenants and agreements of DASNY for the purpose of further securing the payment of the Bonds of Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of DASNY contained in the Resolution or in the Applicable Series Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by DASNY which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon DASNY by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of DASNY contained in the Resolution;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by the provisions of, the Resolution, or any Series Resolution, the Revenues, or any pledge of any other moneys, securities or funds;

(e) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of an Applicable Series Outstanding as of the date of adoption of such Supplemental Resolution and affected thereby shall cease to be Outstanding, and all Bonds of such Series issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions; or

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Holders of Bonds of a Series in any material respect.

(Section 9.02)

Supplemental Resolutions Effective With Consent

The provisions of the Resolution and of a Series Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Holders of the affected Series of Bonds in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of DASNY.

(Section 9.03)

Powers of Amendment

Any modification or amendment of the Resolution or of any Series Resolution that modifies or amends the rights and obligations of DASNY and the Holders of the Bonds of a Series under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution and summarized in the following paragraph, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding of such Series affected thereby at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of the Applicable Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of a Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds of a Series the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the Resolution summarized in this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of a particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on DASNY and all Holders of the Bonds of such Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of a particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Consent of Bondholders

DASNY may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution summarized in the preceding paragraph to take effect when and as provided in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Holders of the Series of Bonds affected thereby for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed or caused to be mailed by the Trustee at the direction of DASNY to such Bondholders (but failure to mail such copy to any particular Bondholder shall not affect the validity of such Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds of the Series specified in the provisions of the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by DASNY in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon DASNY and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided in the Resolution. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent of the Bonds of a Series with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with DASNY that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds of a Series described in the certificate or certificates of the Trustee. Any consent given by and a Holder of Bonds of a Series shall be binding upon such Holder giving such consent and, anything in the Resolution hereof to the contrary notwithstanding, upon any such subsequent Holder of such Bond and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Bondholder giving such consent or such subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee provided for in the Resolution is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with DASNY to the effect that no revocation thereof is on file with the Trustee. At any time after such Holders of the required percentages of Bonds shall have filed their consents to such Supplemental Resolution, the Trustee shall make and file with DASNY a written statement that such Holders have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that such Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by DASNY on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds of the Applicable Series and will be effective as provided in the Resolution, shall be given to such Bondholders by the Trustee at the direction of DASNY by mailing or causing the mailing of such notice to the Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding) and, in the sole discretion of

DASNY, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of such Bonds shall have filed their consents to such Supplemental Resolution and the written statement of the Trustee provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in the Resolution). If such notice is published, the Trustee shall file with DASNY proof of the publication thereof, and, if the same shall have been mailed to the Holders of such Bonds, of the mailing thereof. A transcript, consisting of the papers required or permitted by the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon DASNY, the Trustee, the Applicable Paying Agent, the Holders of such Series of Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; *provided, however*, that DASNY, the Trustee and the Applicable Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of these provisions of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters or remarketing agent for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; *provided, however*, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series.

(Section 10.02)

Events of Default

An event of default shall exist under the Resolution and under a Series Resolution (referred to in the Resolution as an “Event of Default”) if:

(a) with respect to a Series of Bonds, payment of (i) an installment of interest on any Bond shall not be made by DASNY when the same shall become due and payable; or (ii) the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by DASNY when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; *provided, however*, if the failure to make any such payment is caused by a failure of an Applicable Participant to timely pay its Allocable Portion of the principal, Sinking Fund Installments or Redemption Price of or interest on the Bonds pursuant to the terms of the Allocable Loan Agreement, then it shall be an event of default under the Resolution only with respect to the Defaulted Allocable Portion of such Series of Bonds Outstanding, as identified by the Trustee using the method for selection of Bonds upon an extraordinary mandatory redemption thereof set forth in the Resolution; or

(b) with respect to a Series of Bonds, DASNY shall default in the due and punctual performance of its tax covenants contained in the Resolutions with the result that the interest on the a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(c) with respect to a Series of Bonds, DASNY shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for the benefit of the Holders of such Bonds contained in the Resolution or in the Bonds of such Series or in the Applicable Series Resolution on the part of DASNY to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to DASNY by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series, or if such default is not capable of being cured within thirty (30) days, if DASNY fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

(d) with respect to a Series of Bonds, an "Event or Default" (as defined in each Loan Agreement), shall have occurred and is continuing under an Applicable Loan Agreement and all sums payable by the Applicable Participant under the Applicable Loan shall have been declared to be immediately due and payable, which declaration shall not have been annulled; *provided, however*, that such "Event of Default" under an Applicable Loan Agreement shall constitute an event of default under the Resolution only with respect to the Defaulted Allocable Portion of such Series of Bonds Outstanding, as identified by the Trustee using the method for selection of Bonds upon an extraordinary mandatory redemption thereof set forth in the Resolution.

An event of default under the Resolution in respect of a Series of Bonds shall not in and of itself be or constitute an event of default in respect of any other Series of Bonds.

An event of default shall not be deemed to have occurred pursuant to paragraph (a) under the caption "*Events of Default*" above solely as a result of (i) payments made to Bondholders from draws under a Reserve Fund Facility, which draws remain unreimbursed, or (ii) payments made to Bondholders of less than all of the principal of and interest on the Defaulted Allocable Portion of the Outstanding Bonds of an Applicable Series following (A) an acceleration of such Defaulted Allocable Portion of the Applicable Series of Bonds pursuant to the Resolution or (B) the extraordinary mandatory redemption of such Defaulted Allocable Portion of the Applicable Series of Bonds pursuant to the Resolution, and, in each case, the application by the Trustee of all funds available for the payment thereof pursuant to the provisions summarized below under the caption "*Limitation on Revenues and Security Available for Payments After Certain Defaults; Priority of Payments After Default; Cancellation and Replacement of Certain Bonds.*"

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default specified in paragraph (a) under the caption "Events of Default" above resulting from an Applicable Participant's failure to timely pay its Allocable Portion of the Bonds of the Applicable Series pursuant to the Applicable Loan Agreement, or an event of default specified in paragraphs (b) or (d) under the caption "Events of Default" above, then and in every such case the Trustee shall, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series, by a notice in writing to DASNY, declare the principal of and interest on the Outstanding Bonds of such Applicable Series to be due and payable immediately. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Applicable Series Resolution or in the Bonds of such Applicable Series to the contrary notwithstanding. At any time after the principal of the Bonds of such Applicable Series shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series, by written notice to DASNY, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds of such Applicable Series (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and Applicable Paying Agent incurred in connection with such Applicable Series of Bonds; (iii) all other amounts then payable by DASNY under the Resolution in connection with such Applicable Series of Bonds and under the Applicable Series Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of such covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration made under the provisions summarized in this paragraph) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Upon the happening and continuance of an event of default specified in paragraph (a) under the caption "Events of Default" above resulting from a failure of an Applicable Participant to timely pay its Allocable Portion of the Bonds of the Applicable Series pursuant to the Applicable Loan Agreement, or upon the happening and continuance of an event of default specified in paragraph (d) under the caption "Events of Default" above, then and in every such case the Trustee shall, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of the Applicable Series, by a notice in writing to DASNY, declare the principal of and interest on the Defaulted Allocable Portion of the Outstanding Bonds of such Applicable Series to be due and payable immediately. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Applicable Series Resolution or in the Bonds of such Applicable Series to the contrary notwithstanding. At any time after the Defaulted Allocable Portion of the principal of the Bonds of such Applicable Series shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of the Applicable Series, by written notice to DASNY, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Applicable Debt Service Account or Accounts of the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Defaulted Allocable Portion of the Outstanding Bonds of such Applicable Series (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and Applicable Paying Agent incurred in connection with such Defaulted Allocable Portion of such Applicable Series of Bonds; (iii) all other amounts then payable by DASNY under the Resolution in connection with such Defaulted Allocable Portion of the Applicable Series of Bonds and under the Applicable Series Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of such covenant, condition or agreement contained in the

Resolution or in the Applicable Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration made under the provisions summarized in this paragraph) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and (i) upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series, or principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of an Applicable Series, as applicable, or (ii) in the case of an event of default specified in paragraph (b) under the caption "*Events of Defaults*" above, upon the written request of the Holders of not less than a majority in principal amount of the Outstanding Bonds of an Applicable Series affected thereby, the Trustee shall proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the Holders of Bonds of such Applicable Series under the Resolution or under the Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under such Applicable Series Resolution or in aid or execution of any power in the Resolution or in the Applicable Series Resolution granted, or for an accounting against DASNY as if DASNY were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, including the foreclosure of any Applicable Mortgage assigned to the Trustee pursuant to the provisions of the Resolution summarized herein.

In the enforcement of any remedy under the Resolution and under an Applicable Series Resolution, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from DASNY for principal or interest or otherwise under any of the provisions of the Resolution or of an Applicable Series Resolution or of an Applicable Series of Bonds, with interest or overdue payment of the principal of and interest on such Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Applicable Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against DASNY but solely as provided in the Resolution, in the Applicable Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in the manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Limitation on Revenues and Security Available for Payments After Certain Defaults; Priority of Payments After Default; Cancellation and Replacement of Certain Bonds

(a) Notwithstanding any provision of the Resolution to the contrary, upon the happening and continuance of an event of default specified in paragraph (a) under the caption "*Events of Defaults*" above resulting from a failure of an Applicable Participant to timely pay its Allocable Portion of the Applicable Series of Bonds pursuant to the Applicable Loan Agreement, or upon the happening and continuance of an event of default specified in paragraph (d) under the caption "*Events of Defaults*" above, then and in every such case, payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Defaulted Allocable Portion of the Applicable Series of Bonds (either by their terms, by acceleration of maturity or by the extraordinary mandatory redemption thereof) shall be limited solely to (i) the Revenues received or receivable by DASNY pursuant the defaulting Participant's Applicable Loan Agreement, including the such Participant's Pledged Revenues and other amounts derived from the exercise of any remedies under the Applicable Loan Agreement and the realization of any security or collateral granted by such defaulting Participant as security for its Applicable Loan, and (ii) moneys and securities on deposit in the Applicable Accounts of the funds authorized hereby and established pursuant to the Applicable Series Resolution for the payment of such defaulting Participant's Allocable Portion of the Applicable Series of Bonds (other than any Account in the Arbitrage Rebate Fund), and the Holders of such Defaulted Allocable Portion of the Applicable Series of Bonds shall have no right to any payments from any other Revenues or any other funds held by the Trustee hereunder for the payment of such Series of Bonds.

(b) Subject to paragraph (a) above, if at any time the moneys held by the Trustee in the funds and accounts under the Resolution and under an Applicable Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds of a Series as the same become due and payable (either by their terms or by acceleration of maturity), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Resolution or otherwise, shall be applied (after payment of all amounts owing to the Trustee hereunder) as follows:

(i) Unless the principal of all the Bonds of a Series has become or been declared due and payable, all such moneys shall be applied:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of such maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Bonds; or

SECOND: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all of such Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds of a Series or the principal of all of the Defaulted Allocable Portion of the Bonds of a Series shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds or Defaulted Allocable Portion of such Bonds, as the case may be, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Series over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in said Bonds.

These provisions summarized above are in all respects subject to the provisions of the Resolution.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Resolution summarized herein, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for application in accordance with the provisions of this section shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to DASNY, to any Holder of Bonds of a Series or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

(c) Notwithstanding any other provision in the Resolution to the contrary, if, following the exercise of all remedies available to the Trustee under the Resolution and the realization on all security and collateral pledged for the payment of a Defaulted Allocable Portion of the Outstanding Bonds of an Applicable Series, moneys derived from the sources specified in paragraph (a) above are available to pay only a portion of the principal and interest due on the Defaulted Allocable Portion of such Bonds upon the extraordinary mandatory redemption or acceleration thereof pursuant to the Resolution, then in each and every case, after application by the Trustee of all available moneys to the partial payment of the Defaulted Allocable Portion of such Bonds in accordance with the Resolution, (i) the Defaulted Allocable Portion of such Bonds shall be cancelled with the same effect as if paid in full and the event of default shall be deemed cured, (ii) all obligations of DASNY and the Trustee under the Resolution and the Applicable Series Resolution with respect to the Defaulted Allocable Portion of such Bonds shall be deemed to have been discharged and satisfied, and (iii) the Holders of the Defaulted Allocable Portion of such Bonds shall no longer be entitled to the benefits of the Resolution and the Applicable Series Resolution by virtue of their ownership of the Defaulted Allocable Portion of such Bonds. Upon payment and/or cancellation of a Defaulted Allocable Portion of the Outstanding Bonds of an Applicable Series, DASNY shall execute and the Trustee shall authenticate a new Bond or Bonds in a principal amount equal to the Outstanding principal amount of the Bonds of such Applicable Series and maturity less the principal amount of the Defaulted Allocable Portion thereof so paid and/or cancelled.

(Section 11.05)

Bondholders' Direction of Proceedings.

Anything in the Resolution to the contrary notwithstanding, the Holders of (i) not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series or the principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of a Series, as applicable, in the case of an event of default specified in paragraphs (a), (c) or (d) under the caption "*Events of Default*" above, or (ii) a majority in principal amount of the Outstanding Bonds of a Series affected thereby, in the case of an event of default specified in paragraph (b) under the caption "*Events of Default*" above, shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under Applicable Series Resolution, provided, such direction shall not be otherwise than in accordance with law or the provisions of the Resolution and of Applicable Series Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 11.07)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds of a Series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or under any Series Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of (i) not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds of a Series, in the case of an event of default specified in paragraphs (a) or (c) under the caption "*Events of Default*" above, (ii) a majority in principal amount of the Outstanding Bonds of a Series, in the case of an event of default specified in paragraph (b) under the caption "Events of Default" above, or (iii) not less than twenty five per centum (25%) in principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of a Series, in the case of an event of default specified in paragraph (d) under the caption "Events of Default" above, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and at equity and in law. It is understood and intended that no one or more Holders of the Bonds of a Series secured by the Resolution and by a Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of a Series shall have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

(a) If DASNY shall pay or cause to be paid to the Holders of the Bonds of a Series or any portion thereof the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Applicable Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds or any portion thereof and all other rights granted by the Resolution to such Series of Bonds or any portion thereof shall be discharged and satisfied. In such event, the Trustee shall, upon the request of DASNY, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by DASNY, and all moneys or other securities held by it pursuant to the Resolution and to the Applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series or any portion thereof not theretofore surrendered for such payment or redemption shall be paid or delivered by the Trustee as follows: *first*, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of DASNY; *second*, to each Applicable Facility Provider which has certified to the Trustee and DASNY that moneys advanced under a Reserve Fund Facility together with any interest thereon have not been repaid, pro rata, based upon the respective amounts certified by each such Applicable Facility Provider; *third*, to DASNY the amount certified by DASNY to be then due or past due pursuant to an Applicable Loan Agreement for fees and expenses of DASNY or pursuant to any indemnity; and, *fourth*, the balance thereof to the Applicable Participants, as directed in writing by DASNY. Such moneys or securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution, by the Applicable Series Resolution or by an Applicable Loan Agreement.

(b) Notwithstanding any provision of the Resolution to the contrary, if any Participant shall have prepaid its respective Loan pursuant to the Applicable Loan Agreement and in accordance therewith shall pay or cause to be paid its Allocable Portion of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on the Applicable Series of Bonds or portions thereof at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and the Applicable Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged with respect to such Loan or any portion thereof and all other rights granted under the Applicable Loan Agreement and any Mortgage or security interest relating thereto shall be discharged and satisfied; provided that the moneys used for such prepayment shall not constitute an avoidable transfer under Section 547 of the United States Bankruptcy Code, as amended, in the event of a bankruptcy by such Participant. Moneys derived from a refunding, borrowed from a third party financial institution or set aside by the Participant for such purpose in a segregated account for at least 124 days and not commingled with any other moneys of the Participant shall be deemed to be moneys that do not constitute an avoidable transfer under Section 547 of the Bankruptcy Code. In such event, the Trustee shall, upon the request of DASNY, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Participant and DASNY, and all moneys or other securities held by the Trustee pursuant to the Resolution and to the Applicable Series Resolution which are not required for the payment or redemption of the Participant's Allocable Portion of the Bonds of such Applicable Series to be defeased or any portion thereof not theretofore surrendered for such payment or redemption shall be paid or delivered by the Trustee as follows: *first*, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of DASNY; *second*, to each Applicable Facility Provider which has certified to the Trustee and DASNY that moneys advanced under a Reserve Fund Facility which constitutes any part of such Participant's Allocable Portion of the related Debt Service Reserve Fund, if any, together with any interest thereon, have not been repaid, pro rata, based upon the respective amounts certified by each such Applicable Facility Provider; *third*, to DASNY the amount certified by DASNY to be then due or past due pursuant to the Applicable Loan Agreement relating to the Applicable Loan to be prepaid for fees and expenses of DASNY or pursuant to any indemnity; and, *fourth*, the balance thereof to such Participant. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution, by the Applicable Series Resolution or by the Applicable Loan Agreement.

(c) Bonds of a Series or any portion thereof for which moneys shall have been set aside and shall be held in trust by the Trustee for the payment or redemption thereof (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraphs (a) or (b) above. All Outstanding Bonds of a Series or portions thereof or any maturity within such Series or a portion of a maturity within such Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraphs (a) or (b) above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, DASNY shall have given to the

Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, any moneys or securities deposited pursuant to the provisions of this paragraph (c) shall be held by the Trustee in separate trust accounts established with respect to each Applicable Loan prepaid under the Resolution, (iii) the Trustee shall have received the consent to each deposit of each Applicable Facility Provider which has issued a Reserve Fund Facility which constitutes any part of such Participant's Allocable Portion of the related Debt Service Reserve Fund, if any, and which has given written notice to DASNY that amounts advanced thereunder or the interest thereon have not been paid to such Applicable Facility Provider, and (iv) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, DASNY shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of such Bonds at their respective last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of DASNY, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this paragraph (c) and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. DASNY shall give written notice to the Trustee of its selection of the maturity for which payment shall be made in accordance with the Resolution. The Trustee shall select which Bonds of such Series and which maturity thereof shall be paid in accordance with the Resolution in the manner provided therein. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; *provided, however*, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be; *provided, further*, that money and Defeasance Securities may be withdrawn and used by DASNY for any purpose upon (i) the simultaneous substitution therefor of either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which without regard to reinvestment, together with the money, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amount required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: *first*, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of DASNY; *second*, to each Applicable Facility Provider who has certified to the Trustee and DASNY that moneys advanced under a Reserve Fund Facility issued by it which constitutes any part of such Participant's Allocable

Portion of the related Debt Service Reserve Fund, if any, together with any interest thereon, have not been repaid, pro rata, based upon the respective amounts certified by each such Facility Provider; *third*, to DASNY the amount certified by DASNY to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of DASNY or pursuant to any indemnity; and, *fourth*, the balance thereof to the Applicable Participants, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Applicable Loan Agreement.

(d) Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or Paying Agent in trust for the payment and discharge of any of the Bonds of a Series which remain unclaimed for two (2) years after the date when such moneys become due and payable, upon such Bonds either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when such Bonds become due and payable, shall at the written request of DASNY, be repaid by the Trustee or Paying Agent to DASNY as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds of such Series shall look only to DASNY for the payment of such Bonds; *provided, however*, that, before being required to make any such payment to DASNY, the Trustee or Paying Agent may, at the expense of DASNY, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to DASNY.

(Section 12.01)

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

DORMITORY AUTHORITY OF THE STATE OF NEW YORK INTERAGENCY COUNCIL POOLED LOAN PROGRAM REVENUE BONDS, SERIES 2021A

PARTICIPANT: [Participant]

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the "Disclosure Agreement"), dated as of June 23, 2021 is executed and delivered by the Participant identified above (the "Obligated Person"), The Bank of New York Mellon, as Trustee (the "Trustee") and Digital Assurance Certification, L.L.C. ("DAC"), as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) issued by the Dormitory Authority of the State of New York (the "Issuer" or "DASNY") and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute "advice" within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC is not obligated hereunder to provide any advice or recommendation to the Obligated Person or anyone on the Obligated Person's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f) of this Disclosure Agreement, by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Obligated Person pursuant to Section 9 hereof.

"Disclosure Representative" means the chief financial officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Obligated Person's failure to file an Annual Report on or before the Annual Filing Date.

"Financial Obligation" means a (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Force Majeure Event" means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"Issuer" means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934, as amended.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer and the Obligated Person in connection with the Bonds, as listed on Exhibit A.

"Program Facilitator" means the InterAgency Council of Developmental Disabilities Agencies, Inc.

"Resolution" means DASNY's bond resolution(s) pursuant to which the Bonds were issued.

"Trustee" means The Bank of New York Mellon and its successors and assigns.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. <u>Provision of Annual Reports</u>.

(a) The Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the

Trustee, not later than 180 days after the end of each fiscal year of the Obligated Person (or any time thereafter following a Failure to File Event as described in this Section), commencing with the fiscal year ending [_], 2021 such date and each anniversary thereof, the "Annual Filing Date." Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access ("EMMA") System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Program Facilitator, to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Obligated Person shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements, if available, and unaudited financial statements, if Audited Financial Statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof and, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. Principal and interest payment delinquencies;

2. Non-Payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, IRS notices or events affecting the tax-exempt status of the securities;

7. Modifications to rights of securities holders, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Ratings changes;

12. Tender offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

14. Merger, consolidation, or acquisition of the Obligated Person, if material;

15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;

16. Incurrence of a Financial Obligation, if material; and

17. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation reflecting financial difficulties.

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"
2. "change in obligated person;"
3. "notice to investors pursuant to bond documents;"
4. "certain communications from the Internal Revenue Service;"
5. "secondary market purchases;"
6. "bid for auction rate or other securities;"
7. "capital or other financing plan;"
8. "litigation/enforcement action;"
9. "change of tender agent, remarketing agent, or other on-going party;"
10. "derivative or other similar transaction;" and
11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"
2. "change in fiscal year/timing of annual disclosure;"
3. "change in accounting standard;"
4. "interim/additional financial information/operating data;"
5. "budget;"

6. “investment/debt/financial policy;”

7. “information provided to rating agency, credit/liquidity provider or other third party;”

8. “consultant reports;” and

9. “other financial/operating data;”

(viii) provide the Obligated Person and the Program Facilitator evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person which shall contain the information set forth in Exhibit D hereto, together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or are available from the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

7. Modifications to rights of the security holders, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Tender offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

    Note to subsection (a)(13) of this Section 4: For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

14. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

15. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

16. Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and

17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify the Trustee, the Program Facilitator and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, the Trustee shall promptly notify the Obligated Person and also shall notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Obligated Person or the

Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Obligated Person desires to make, contain the written authorization of the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. <u>CUSIP Numbers</u>.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. <u>Additional Disclosure Obligations</u>.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. <u>Voluntary Filing</u>.

(a) The Obligated Person may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Obligated Person desires to make and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Obligated Person may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Obligated Person is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Obligated Person hereby appoints DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Obligated Person may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Obligated Person or DAC, the Obligated Person agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Obligated Person shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Obligated Person.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE

EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive the resignation or removal of the Disclosure Dissemination Agent and the defeasance, redemption or payment in full of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and it shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. <u>No Issuer or Trustee Responsibility</u>.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement (other than, with respect to the Trustee only, those notices required under Section 4 hereof) and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures (other than, with respect to the Trustee only, those notices required under Section 4 hereof). DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Disclosure Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. <u>Amendment; Waiver</u>.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person or the Trustee and the assumption by any such successor of the covenants of the Obligated Person or the Trustee hereunder;

(iv) to add to the covenants of the Obligated Person or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person or the Disclosure Dissemination Agent; and

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

The Disclosure Dissemination Agent, the Trustee and the Obligated Person have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By:____
Name:______________________________________
Title:_______________________________________

[PARTICIPANT],
Obligated Person

By:____
Name:______________________________________
Title:_______________________________________

THE BANK OF NEW YORK MELLON,
as Trustee

By: _______________________________________
Name: _____________________________________
Title: ______________________________________

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Dormitory Authority of the State of New York
Obligated Person(s):	[Participant]
Name of Bond Issue:	InterAgency Council Pooled Loan Program Revenue Bonds, Series 2021A
Date of Issuance:	June 23, 2021
Date of Official Statement:	June 10, 2021

Maturity	CUSIP No.
July 1, 2022	65000BBE7
July 1, 2023	65000BBF4
July 1, 2024	65000BBG2
July 1, 2025	65000BBH0
July 1, 2026	65000BBJ6
July 1, 2026	65000BBT4
July 1, 2027	65000BBK3
July 1, 2028	65000BBL1
July 1, 2029	65000BBM9
July 1, 2030	65000BBN7
July 1, 2031	65000BBP2
July 1, 2031	65000BBU1
July 1, 2036	65000BBQ0
July 1, 2036	65000BBV9
July 1, 2041	65000BBR8
July 1, 2046	65000BBS6

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Dormitory Authority of the State of New York
Obligated Person(s):	[Participant]
Name of Bond Issue:	InterAgency Council Pooled Loan Program Revenue Bonds, Series 2021A
Date of Issuance:	June 23, 2021

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated as of June 23, 2021, by and among the Obligated Person, The Bank of New York Mellon, as Trustee, and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____________[if known].

Dated:______________________________

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
Obligated Person

____

cc: Obligated Person
Program Facilitator

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

____

Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

____

Number of pages attached: _____

Description of Notice Events (Check One):

1.______"Principal and interest payment delinquencies;"
2.______"Non-Payment related defaults, if material;"
3.______"Unscheduled draws on debt service reserves reflecting financial difficulties;"
4.______"Unscheduled draws on credit enhancements reflecting financial difficulties;"
5.______"Substitution of credit or liquidity providers, or their failure to perform;"
6.______"Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7.______"Modifications to rights of securities holders, if material;"
8.______"Bond calls, if material;"
9.______"Defeasances;"
10._____"Release, substitution, or sale of property securing repayment of the securities, if material;"
11._____"Rating changes;"
12._____"Tender offers;"
13._____"Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14._____"Merger, consolidation, or acquisition of the obligated person, if material;" and
15._____"Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16.____"Incurrence of a Financial Obligation of the obligated person, if material;"
17.____"Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the obligated person reflecting financial difficulties."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

____

Name: ______________________________ Title: ______________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Agreement to Provide Continuing Disclosure dated as of June 23, 2021 by and among the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1.______"amendment to continuing disclosure undertaking;"
2.______"change in obligated person;"
3.______"notice to investors pursuant to bond documents;"
4.______"certain communications from the Internal Revenue Service;"
5.______"secondary market purchases;"
6.______"bid for auction rate or other securities;"
7.______"capital or other financing plan;"
8.______"litigation/enforcement action;"
9.______"change of tender agent, remarketing agent, or other on-going party;"
10._____"derivative or other similar transaction;" and
11._____"other event-based disclosures."

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________Title: ____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Agreement to Provide Continuing Disclosure dated as of June 23, 2021 by and among the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1.______"quarterly/monthly financial information;"
2.______"change in fiscal year/timing of annual disclosure;"
3.______"change in accounting standard;"
4.______"interim/additional financial information/operating data;"
5.______"budget;"
6.______"investment/debt/financial policy;"
7.______"information provided to rating agency, credit/liquidity provider or other third party;"
8.______"consultant reports;" and
9.______"other financial/operating data."

I hereby represent that I am authorized by the obligated person or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________Title: ____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT D
FORM OF ANNUAL FINANCIAL INFORMATION

Name of Issuer:	Dormitory Authority of the State of New York
Obligated Person(s):	[Participant]
Name of Bond Issue:	InterAgency Council Pooled Loan Program Revenue Bonds, Series 2021A
Date of Issuance:	June 23, 2021
Date of Official Statement:	June 10, 2021
CUSIP Nos.	

Funding Sources. Funding sources for the Obligated Person's 20__ Fiscal Year were as follows:

Funding Source	Approx. % of Revenues
NYS Office for People with Developmental Disabilities	
NYS Department of Health	
NYS Education Department	
[list other sources]	

Debt Service Coverage.

Calculated in accordance with the requirements of the Loan Agreement between DASNY and the Obligated Person, the Total Debt Service Coverage Ratio for Fiscal Year 20__ is as follows:

Revenues
Expenses
Total Net Revenue

Less Extraordinary Revenue Items
Plus Extraordinary Expense Items
Plus Depreciation and Amortization
Plus Current Interest Expense

Total Net Revenues Available for Debt Service

Maximum Annual Debt Service

Total Debt Service Coverage Ratio

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APPENDIX H

FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

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PROPOSED FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

Upon delivery of the Series 2021A Bonds,
Barclay Damon LLP and Lewis & Munday, A Professional Corporation, Co-Bond Counsel to DASNY,
propose to issue their respective legal opinions in substantially the following form:

[___________], 2021

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Ladies and Gentlemen:

We have examined the record of proceedings relating to the $28,185,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2021A (the "Series 2021A Bonds"), consisting of $24,605,000 Subseries 2021A-1 Bonds (the "Subseries 2021A-1 Bonds") and $3,580,000 Subseries 2021A-2 Bonds (Federally Taxable) (the "Subseries 2021A-2 Bonds") issued by the Dormitory Authority of the State of New York ("DASNY"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended to the date hereof (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. Capitalized terms used herein without other definition have the meanings set forth in the Resolution (hereinafter defined).

The Series 2021A Bonds are issued under and pursuant to the Act and the InterAgency Council Pooled Loan Program Revenue Bond Resolution of DASNY adopted March 31, 2010, as supplemented (the "Resolution") and DASNY's Series 2021A Resolution Authorizing Up To $40,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2021A adopted May 5, 2021 (the "Series 2021A Resolution" and, together with the Resolution, the "Resolutions"). The Series 2021A Bonds are being issued for the purposes set forth in the Resolutions.

DASNY has entered into separate Loan Agreements with each of Citizens Options Unlimited, Inc., Community Services Support Corporation and Nassau County AHRC Foundation, Inc. (which shall be considered a single Series 2021A Participant), Developmental Disabilities Institute, Inc., HASC Center, Inc., HeartShare Human Services of New York, The Institutes of Applied Human Dynamics Inc., QSAC, Inc. and Young Adult Institute, Inc. (collectively, the "Series 2021A Participants"), each dated as of May 5, 2021 (collectively, the "Loan Agreements"), providing, among other things, for loans to the Series 2021A Participants from the proceeds of the Series 2021A Bonds for the purposes permitted by the respective Loan Agreements and by the Resolutions.

The Internal Revenue Code of 1986, as amended (the "Code") imposes various requirements that must be met at and subsequent to the issuance and delivery of the Subseries 2021A-1 Bonds in order that interest on the Subseries 2021A-1 Bonds be and remain excluded from gross income for federal income tax purposes. Included among these requirements are restrictions on the use of proceeds of the Subseries 2021A-1 Bonds and the facilities financed or refinanced by such proceeds, restrictions on the investment of such proceeds and other amounts and the rebate of certain earnings in respect of such investments to the United States. Failure to comply with such requirements may cause interest on the Subseries 2021A-1 Bonds to be includible in gross income for federal income tax purposes retroactive to the date of issuance of the Subseries 2021A-1 Bonds irrespective of the date on which such noncompliance occurs. DASNY and each of the Series 2021 Participants, as applicable, have covenanted to comply with applicable requirements of the Code to assure the exclusion of interest on the Subseries 2021A-1 Bonds from gross income under Section 103 of the Code.

We are of the opinion that:

(1) DASNY is a body corporate and politic constituting a public benefit corporation of the State of New York with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2021A Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by DASNY. The Series 2021A Resolution has been duly and lawfully adopted by DASNY in accordance with the provisions of the Resolution and is authorized and permitted by the Resolution. The Resolutions are in full force and effect, and are legal, valid and binding obligations of DASNY enforceable in accordance with their respective terms. The Resolutions create the valid pledge and the valid lien they purport to create upon the proceeds of the Series 2021A Bonds and the Revenues, subject only to the provisions of the Resolutions permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolutions.

(3) The Series 2021A Bonds have been duly and validly authorized and issued in accordance with the statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2021A Bonds are legal, valid and binding special obligations of DASNY payable as provided in the Resolutions, are enforceable in accordance with their terms pursuant to the Resolutions and are entitled to the equal benefits of the Resolutions and the Act.

(4) The Series 2021A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon. The Series 2021A Bonds are not payable out of the funds of DASNY other than those pledged for the payment of the Series 2021A Bonds.

(5) DASNY has the right and lawful authority and power to enter into the Loan Agreements. The Loan Agreements have each been duly authorized, executed and delivered by DASNY and, assuming due authorization, execution and delivery of the Loan Agreements by the respective Series 2021A Participants, constitute legal, valid and binding obligations of DASNY enforceable in accordance with their terms.

(6) Under existing law, interest on the Subseries 2021A-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Furthermore, interest on the Subseries 2021A-1 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code.

In rendering the opinions set forth in paragraph (6) above, we have relied upon certain representations, certifications of fact, and statements of reasonable expectations made by DASNY, each of the Series 2021A Participants, as applicable, and others, and we have assumed compliance by DASNY and each of the Series 2021A Participants, as applicable, with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Subseries 2021A-1 Bonds from gross income under Section 103 of the Code. In the event of the inaccuracy or incompleteness of any such representations, certifications of fact or statements of reasonable expectations made by DASNY or any of the Series 2021A Participants, or of the failure by DASNY or any of the Series 2021A

Participants to comply with any such covenant, the interest on the Subseries 2021A-1 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance and delivery of such Subseries 2021A-1 Bonds, regardless of the date on which the event causing such inclusion occurs. In addition, we have relied on the opinion of counsel to the Series 2021A Participants regarding, among other matters, the current status of the Series 2021A Participants as organizations described in Section 501(c)(3) of the Code. Further, although the interest on the Subseries 2021A-1 Bonds is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Subseries 2021A-1 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Subseries 2021A-1 Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

(7) Interest on the Subseries 2021A-2 Bonds is not excluded from gross income for federal income tax purposes.

(8) Under existing statutes, interest on the Series 2021A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivisions thereof (including The City of New York and the City of Yonkers).

We express no opinion regarding any other federal, state or local tax consequences with respect to the Series 2021A Bonds except as stated in paragraphs (6), (7) and (8) above. Our opinion speaks as of the date hereof and does not contain or provide any opinion or assurance regarding the future activities of DASNY, any Series 2021A Participant or about the effect of future changes in the Code, the applicable regulations, rulings, judicial decisions, the interpretation thereof or the enforcement thereof by the Internal Revenue Service. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel (other than Co-Bond Counsel, to the extent that we both render such opinion) regarding federal, state or local tax matters, including, without limitation, the exclusion of interest on the Subseries 2021A-1 Bonds from gross income for federal income tax purposes.

We have examined a fully executed Subseries 2021A-1 Bond and a fully executed Subseries 2021A-2 Bond and, in our opinion, the form of said Series 2021A Bonds and their execution are regular and proper.

The opinions contained in paragraphs (2), (3) and (5) above are qualified to the extent that the enforceability of the Resolutions, the Loan Agreements and the Series 2021A Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws effecting creditors' rights generally and as to the availability of any particular remedy.

Very truly yours,

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