NEW ISSUE – BOOK-ENTRY ONLY

MOODY'S: Aa2
(See "RATING" herein)

DASNY

DAC Bond®

$29,425,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2016B

Consisting of:

$28,645,000 Subseries 2016B-1 | **$780,000 Subseries 2016B-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 2016B consisting of Subseries 2016B-1 (the "Subseries 2016B-1 Bonds") and Subseries 2016B-2 (Federally Taxable) (the "Subseries 2016B-2 Bonds;" and together with the Subseries 2016B-1 Bonds, the "Series 2016 Bonds") will be special 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 2016 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 (the "Resolution") and established with respect to the Series 2016 Bonds by the Series 2016B Resolution Authorizing Up To $38,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2016B, adopted October 5, 2016 (the "Series 2016 Resolution"), including a Debt Service Reserve Fund.

The Revenues pledged to the payment of the Series 2016 Bonds are comprised of certain payments to be made under separate Loan Agreements dated as of September 7, 2016 (each a "Series 2016 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: Developmental Disabilities Institute, Inc., Eden II School for Autistic Children, Inc., Lifespire, Inc. and ACRMD Community Mental Retardation Services Company, Inc. (which shall be considered a single Series 2016 Participant), Ohel Children's Home and Family Services, Inc., Services for the Underserved, Inc. and SUS-Developmental Disabilities Services, Inc. (which shall be considered a single Series 2016 Participant), and Unique People Services, Inc. (each a "Series 2016 Participant" and collectively, the "Series 2016 Participants").

Each Series 2016 Loan Agreement is a general obligation of the respective Series 2016 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 2016 Bonds corresponding to such Series 2016 Participant's proportionate share of the proceeds of the Series 2016 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 2016 Loan Agreements are several and not joint obligations of the Series 2016 Participants. Each of the Series 2016 Participant's obligations under its respective Series 2016 Loan Agreement will be secured by a security interest in certain revenues of such Series 2016 Participant granted to DASNY and pledged and assigned to the Trustee.

A DEFAULT BY ANY ONE OR MORE OF THE SERIES 2016 PARTICIPANTS UNDER THEIR RESPECTIVE SERIES 2016 LOAN AGREEMENTS MAY RESULT IN A DEFAULT UNDER THE RESOLUTION AND THE SERIES 2016 RESOLUTION WITH RESPECT TO SUCH SERIES 2016 PARTICIPANT'S ALLOCABLE PORTION OF THE SERIES 2016 BONDS; HOWEVER, ANY LIABILITY WITH RESPECT TO SUCH DEFAULT IS LIMITED SOLELY TO THE SERIES 2016 PARTICIPANT OR SERIES 2016 PARTICIPANTS THAT ARE IN DEFAULT, WITHOUT RIGHT OF CONTRIBUTION FROM THE NON-DEFAULTING SERIES 2016 PARTICIPANTS. ANY SUCH DEFAULT, HOWEVER, COULD RESULT IN A DEFAULT IN PAYMENT OF THE SERIES 2016 BONDS.

The Series 2016 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 2016 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple in excess thereof. Interest (due July 1, 2017 and each January 1 and July 1 thereafter) on the Series 2016 Bonds will be payable by check mailed to the registered owners thereof and principal and Redemption Price of the Series 2016 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 2016 Bonds by wire transfer, as more fully described herein.

The Series 2016 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, New York, New York ("DTC"). DTC will act as securities depository for the Series 2016 Bonds. Purchases of beneficial ownership interests in the Series 2016 Bonds may be made only through the DTC book-entry system. Beneficial Owners (as defined herein) of the Series 2016 Bonds will not receive certificates representing their interests in the Series 2016 Bonds. See "PART 3 - THE SERIES 2016 BONDS – Book-Entry-Only System" herein.

Redemption and Purchase in Lieu of Redemption: The Series 2016 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as more fully described herein.

Tax Matters: In the opinion of Barclay Damon, LLP, Co-Bond Counsel, under existing law and assuming compliance with the certain covenants described herein and the accuracy and completeness of certain representations, certifications of fact and statements of reasonable expectations by DASNY, the Series 2016 Participants, as applicable, and others, interest on the Subseries 2016B-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"). Interest on the Subseries 2016B-1 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code; provided, however, that such interest on the Subseries 2016B-1 Bonds is taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Barclay Damon, LLP is further of the opinion that interest on the Series 2016 Bonds is exempt from personal income taxes imposed by New York State or any political subdivision thereof (including The City of New York and the City of Yonkers). IN THE OPINION OF BARCLAY DAMON, LLP, INTEREST ON THE SUBSERIES 2016B-2 BONDS IS NOT EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE CODE. See "PART 10 – TAX MATTERS" herein regarding certain other tax considerations.

The Series 2016 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 Marous Law Group, P.C., New York, New York, Co-Bond Counsel to DASNY. Certain legal matters will be passed upon for the Series 2016 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 2016 Bonds in definitive form in New York, New York on or about November 29, 2016.

MUNICIPAL CAPITAL MARKETS GROUP, INC.

November 8, 2016

$29,425,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2016B

Consisting of:

$28,645,000 Subseries 2016B-1

Consisting of:

$9,380,000 Serial Bonds

Maturing July 1	Principal Amount	Coupon	Yield	CUSIP[1]
2018	$ 645,000	3.00%	1.15%	64990C JX0
2019	690,000	3.00	1.29	64990C JY8
2020	1,025,000	4.00	1.39	64990C JZ5
2021	1,055,000	4.00	1.52	64990C KA8
2022	1,110,000	4.00	1.64	64990C KB6
2023	1,155,000	4.00	1.74	64990C KC4
2024	1,195,000	4.00	1.89	64990C KD2
2025	1,230,000	4.00	2.09	64990C KE0
2026	1,275,000	4.00	2.24	64990C KF7

$7,055,000 3.00% Term Bond due July 1, 2031 to Yield 3.20% CUSIP[1] 64990C KG5

$7,785,000 3.125% Term Bond due July 1, 2036 to Yield 3.35% CUSIP[1] 64990C KH3

$4,425,000 3.25% Term Bond due July 1, 2041 to Yield 3.45% CUSIP[1] 64990C KJ9

$780,000
Subseries 2016B-2
(Federally Taxable)

$780,000 1.50% Term Bond due July 1, 2019 to Yield 1.50% CUSIP[1] 64990C KK6

No dealer, broker, salesman or other person has been authorized by DASNY, the Series 2016 Participants or the Underwriter to give any information or to make any representations with respect to the Series 2016 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 2016 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 2016 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 2016 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.

Each Series 2016 Participant has reviewed the portions of this Official Statement describing such Series 2016 Participant, its Series 2016 Facilities, its Mortgages, including "PART 1 – INTRODUCTION" (but solely with respect to the headings "The Series 2016 Participants," "Additional Security – Pledged Revenues and Standby Intercepts," and "The Mortgages,"), "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS – Security for the Series 2016 Bonds - Pledged Revenues – Intercept Funds," and " – Security for the Series 2016 Bonds – Mortgages," "PART 3 – THE SERIES 2016 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2016 Bonds," "PART 4 - THE SERIES 2016 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING," "PART 6 - ESTIMATED SOURCES AND USES OF FUNDS," "PART 11 - BONDHOLDERS' RISKS," "PART 15 – CONTINUING DISCLOSURE," "PART 18 – INDEPENDENT PUBLIC ACCOUNTANT", 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 2016 Bonds that each Series 2016 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 the light of the circumstances under which the statements were made, not misleading. The Series 2016 Participants make no representations as to the accuracy or completeness of any other information included in this Official Statement.

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 2016 Resolution and the Series 2016 Loan Agreements do not purport to be complete. Refer to the Act, the Resolution, the Series 2016 Resolution and the Series 2016 Loan Agreements for full and complete details of their provisions. Copies of the Resolution, the Series 2016 Resolution and the Series 2016 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 2016 Participants have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2016 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 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
GERRARD P. BUSHELL – PRESIDENT — ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT
relating to
$29,425,000
INTERAGENCY COUNCIL POOLED LOAN PROGRAM
REVENUE BONDS, SERIES 2016B
Consisting of:

$28,645,000 Subseries 2016B-1 — **$780,000 Subseries 2016B-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"), Developmental Disabilities Institute, Inc., Eden II School for Autistic Children, Inc., Lifespire, Inc. and ACRMD Community Mental Retardation Services Company, Inc. ("ACRMD") (which shall be considered a single Series 2016 Participant although ACRMD's liability is limited to the Allocable Portion of the Series 2016 Bonds which is attributable to the Series 2016 Facility located at 2435 Harway Avenue, Brooklyn, New York*), Ohel Children's Home and Family Services, Inc., Services for the Underserved, Inc. and SUS-Developmental Disabilities Services, Inc. (which shall be considered a single Series 2016 Participant), and Unique People Services, Inc. (collectively, the "Series 2016 Participants"), in connection with the offering by DASNY of its $29,425,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2016B, consisting of $28,645,000 Subseries 2016B-1 Bonds and $780,000 Subseries 2016B-2 Bonds (Federally Taxable) (collectively, the "Series 2016 Bonds").

The following is a brief description of certain information concerning the Series 2016 Bonds, DASNY and the Series 2016 Participants. A more complete description of such information and additional information that may affect decisions to invest in the Series 2016 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.

* The Series 2016 Facility located at 2435 Harway Avenue, Brooklyn, New York (the "Harway Avenue Series 2016 Facility") is subject to a lease between ACRMD and Lifespire, Inc. dated October 1, 2106 (the "Lease"). The term of the Lease exceeds the term of LifeSpire's Allocable Portion (as defined in Appendix A attached hereto) of the Series 2016 Bonds. See Appendix A for further information regarding the Harway Avenue Series 2016 Facility and the amount of the loan related to the Harway Avenue Series 2016 Facility.

Purpose of the Issue

The Series 2016 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 2016 Facilities") of the Series 2016 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 2016 Facilities, (ii) making a deposit to each account of the Debt Service Reserve Fund securing the Series 2016 Bonds (the "Series 2016 Debt Service Reserve Fund") in an amount equal to the aggregate of each Series 2016 Participant's Allocable Portion of the Series 2016 Debt Service Reserve Fund Requirement (defined herein), and (iii) paying certain costs of issuance of the Series 2016 Bonds. The respective Loan Agreements entered into with DASNY by the Series 2016 Participants (the "Series 2016 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 2016 Bonds as the same become due. See "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS." For a description of the Series 2016 Facilities being financed or refinanced with proceeds of the Series 2016 Bonds, see "Appendix A - Description of Series 2016 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, 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 2016 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 2016 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 2016 Bonds will be issued pursuant to the Act, the Resolution and the Series 2016 Resolution. The term "Resolutions" shall mean the Resolution and the Series 2016 Resolution. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016 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 2016 Participants) that conduct business throughout the State, but primarily in The City of New York metropolitan area. See "PART 4 - THE SERIES 2016 PARTICIPANTS."

The Series 2016 Participants

Each of the Series 2016 Participants is a not-for-profit corporation organized and existing under the laws of the State. See "PART 4 - THE SERIES 2016 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING," "Appendix A - Description of Series 2016 Participants," "Appendix B - Audited Financial Statements of Series 2016 Participants," and "Appendix C - Unaudited Financial Information of Series 2016 Participants."

Upon delivery of the Series 2016 Bonds, the Series 2016 Participants will receive loans from DASNY from the proceeds thereof in the following principal amounts, representing each Series 2016 Participant's Allocable Portion of each Subseries of the Series 2016 Bonds:

Series 2016 Participant	Subseries 2016B-1	Subseries 2016B-2	Total
Developmental Disabilities Institute, Inc. ("DDI")	$2,265,000	$90,000	$2,355,000
Eden II School for Autistic Children, Inc.	1,480,000	55,000	1,535,000
Lifespire, Inc. and ACRMD Community Mental Retardation Services Company, Inc.*	2,595,000	100,000	2,695,000
Ohel Children's Home and Family Services, Inc. ("Ohel")	15,770,000	295,000	16,065,000
Services for the Underserved, Inc. and SUS-Developmental Disabilities Services, Inc.	3,495,000	135,000	3,630,000
Unique People Services, Inc.	3,040,000	105,000	3,145,000

* ACRMD's liability is limited to Lifespire's Allocable Portion of the Series 2016 Bonds which is attributable to the Harway Avenue Series 2016 Facility. See Appendix A for further information regarding the Harway Avenue Series 2016 Facility and the amount of the loan related to the Harway Avenue Series 2016 Facility.

No Series 2016 Participant is responsible for the payment obligations of any other Series 2016 Participant. If a Series 2016 Participant fails to pay amounts due under its Series 2016 Loan Agreement in respect of its Allocable Portion of the Series 2016 Bonds, DASNY's sole remedy will be against the defaulting Series 2016 Participant and no other Series 2016 Participant.

See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016 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 2016 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

The Series 2016 Bonds

The Series 2016 Bonds are dated their date of delivery and bear interest from such date (payable July 1, 2017, and on each January 1 and July 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 2016 BONDS - Description of the Series 2016 Bonds."

Payment of the Series 2016 Bonds

The Series 2016 Bonds are special obligations of DASNY payable from the applicable Revenues, which consist of the aggregate of certain payments required to be made by the Series 2016 Participants pursuant to their respective Series 2016 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 2016 Bonds. The Revenues are pledged and assigned to the Trustee.

Pursuant to its Series 2016 Loan Agreement, each Series 2016 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 2016 Bonds, in each case corresponding to the proceeds of each maturity of each Subseries of the Series 2016 Bonds loaned to it by DASNY. The obligation of each Series 2016 Participant to make payments under its Series 2016 Loan Agreement constitutes a general obligation of such Series 2016 Participant. The payment obligations of the Series 2016 Participants are several, not joint and are not cross-collateralized with the obligations of any other Series 2016 Participant. For a listing of each Series 2016 Participant's Allocable Portion of the principal and Sinking Fund Installments of and interest on the Series 2016 Bonds, see "PART 3 – THE SERIES 2016 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2016 Bonds."

Security for the Series 2016 Bonds

The Series 2016 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues, the proceeds from the sale of the Series 2016 Bonds (until disbursed as provided by the Resolution) and all funds and accounts authorized by the Resolution and established by the Series 2016 Resolution (with the exception of the Arbitrage Rebate Fund), including the Series 2016 Debt Service Reserve Fund, which will be funded at its requirement upon issuance of the Series 2016 Bonds with proceeds of the Series 2016 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS - Security for the Series 2016 Bonds."

The Series 2016 Bonds are separately secured from all other Series of Bonds. The Holders of any Series of Bonds other than the Series 2016 Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2016 Bonds.

The Series 2016 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 2016 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 2016 Participants to DASNY pursuant to its Series 2016 Loan Agreement, subject to Prior Pledges. Certain of the Series 2016 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 other financial institution as security for the respective obligations of such Series 2016 Participants in connection with bonds previously issued by DASNY or such industrial development agency or lines of credit or other borrowings from financial institutions. The pledge of the Pledged Revenues granted by each such Series 2016 Participant is subject and subordinate to such Prior Pledges in all respects. See "Appendix A - Description of Series 2016 Participants" for a description of each of the Series 2016 Participants, including their respective Prior Pledges of their respective Pledged Revenues.

Pledged Revenues are all of a Series 2016 Participant's Public Funds attributable, directly or indirectly, to (a) its Series 2016 Facilities, or (b) the administration, management, supervision, or support at or from its Series 2016 Facilities of programs or activities at other locations. In the case of each Series 2016 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 2016 Participant's Series 2016 Facility or Facilities. In the case of Series 2016 Participant Ohel, Public Funds also include amounts payable by the State Office of Mental Health ("OMH") or another State agency in connection with services provided by or on behalf of Ohel at an OMH-licensed mental health clinic at a portion of Ohel's Series 2016 Facility located at 1262 East 14th Street, Brooklyn, New York (the "Ohel Clinic"). A description of Ohel's Series 2016 Facility, which also includes a PPA-supported component, as well as other administrative components, is included in the description of Ohel in Appendix A. With the exception of DDI's Series 2016 Facility located at 99 Hollywood Drive, Smithtown, New York (the "Hollywood Drive Facility"), the Ohel Clinic and the portion of Ohel's Series 2016 Facility located at 1262 East 14th Street, Brooklyn, New York which are utilized for administrative purposes, OPWDD has pre-approved pursuant to separate Prior Property Approvals (each a "PPA") each Series 2016 Facility for reimbursement of amounts calculated to be sufficient to pay the principal and interest costs incurred by the related Series 2016 Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Series 2016 Facility, in each case subject to annual appropriation by the State Legislature and so long as such Series 2016 Participant operates the applicable Series 2016 Facility in accordance with certain defined standards. Except as set forth in the immediately succeeding paragraph, assuming annual appropriation of sufficient funds and continued compliance with operational standards by the Series 2016 Participant, it is expected that the amounts received by such Series 2016 Participant pursuant to its respective PPAs will be sufficient to pay the principal of and interest on its respective Allocable Portion of the Series 2016 Bonds for such Series 2016 Facility.

With respect to the Hollywood Drive Facility, which has no PPA, and Ohel's Series 2016 Facility located at 1262 East 14th Street, Brooklyn, New York, including the Ohel Clinic and the portions of such Series 2016 Facility which are utilized for administrative purposes, which is only partially supported by a PPA, the applicable Series 2016 Participant expects to pay the portion of its Allocable Portion of the Series 2016 Bonds not supported by a PPA from its general operating revenues, and, in the case of Ohel, also from Public Funds paid by OMH or another State agency related to services provided at the Ohel Clinic. See "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities" and "- New York State Office of Mental Health." For a description of the Series 2016 Facilities not fully supported by a PPA, see the descriptions of DDI and Ohel in Appendix A.

The Pledged Revenues will be paid directly to each Series 2016 Participant and may be disposed of by such Series 2016 Participant for any of its corporate purposes. However, pursuant to the Act, the respective Series 2016 Loan Agreements, and separate agreements entered into by DASNY, each Series 2016 Participant and OPWDD, OMH and/or another State agency (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 or the other State agencies, as applicable, to remit the Pledged Revenues payable by OPWDD or such other State agencies, as applicable, (1) to a Series 2016 Participant pursuant to its PPA or PPAs (the "OPWDD Intercept Funds") or (2) to Ohel in connection with the fees for services provided at the Ohel Clinic (the "OMH Intercept Funds" and together with the OPWDD Intercept Funds, the "Intercept Funds"), directly to DASNY or the Trustee for application to the payment of such Series 2016 Participant's Allocable Portion of the Outstanding Series 2016 Bonds.

Pledged Revenues of one Series 2016 Participant will not be available to satisfy the obligations of any other Series 2016 Participant. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS - Security for the Series 2016 Bonds - Pledged Revenues - Intercept Funds" and "- Standby Intercepts." See also, "Appendix A - Description of Series 2016 Participants" and "Appendix E - Summary of Certain Provisions of the Series 2016 Loan Agreements."

The ability of each Series 2016 Participant to satisfy its payment obligations under its Loan Agreement with respect to its Allocable Portion of the Series 2016 Bonds and DASNY's ability to realize upon its security interests in the Pledged Revenues of each Series 2016 Participant are largely dependent upon the continued operation by each Series 2016 Participant of its Series 2016 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 2016 Participant and its ability to continue to generate sufficient revenues to support all of its facilities, including its Series 2016 Facilities, (ii) the continued compliance by the Series 2016 Participant with State and local operational standards with respect to its Series 2016 Facilities, and (iii) the continued commitment of Public Funds to support the programs and facilities operated by the Series 2016 Participant, particularly with respect to its Series 2016 Facilities, including continued appropriations by the State in amounts sufficient for (a) OPWDD or other State agencies to make payments to the Series 2016 Participant pursuant to its PPAs and (b) OMH or other State agencies to pay fees for services to Ohel for services provided at the Ohel Clinic. For a more detailed discussion of risk factors affecting the ability of the Series 2016 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 2016 Bonds, see "PART 11 - BONDHOLDERS' RISKS." See also, "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING."

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

A failure by a Series 2016 Participant to timely pay its obligations under its Series 2016 Loan Agreement might result in an event of default under the Resolutions if either (a) such Series 2016 Participant's loan is accelerated in accordance with the provisions of its Series 2016 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 2016 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 2016 Bonds that corresponds to a principal installment on the defaulting Series 2016 Participant's loan under the terms of its Series 2016 Loan Agreement (referred to as the "Defaulted Allocable Portion"). The funds available for the payment of a Defaulted Allocable Portion of the Series 2016 Bonds are limited by the Resolution to only those Revenues payable by or on behalf of such defaulting Series 2016 Participant pursuant to its Series 2016 Loan Agreement, funds on deposit with the Trustee attributable to such Series 2016 Participant and amounts recovered upon the realization on any collateral granted to DASNY as security for such Series 2016 Participant's obligations under its Series 2016 Loan Agreement and pledged to the payment of the Series 2016 Bonds.

After the application of all such amounts to the payment of the Defaulted Allocable Portion of the Series 2016 Bonds following the acceleration or extraordinary mandatory redemption thereof in accordance with the Resolutions, such Defaulted Allocable Portion of the Series 2016 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 2016 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 2016 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption.”

NO SERIES 2016 PARTICIPANT IS RESPONSIBLE FOR THE PAYMENT OBLIGATIONS OF ANY OTHER SERIES 2016 PARTICIPANT. IF A SERIES 2016 PARTICIPANT FAILS TO PAY AMOUNTS DUE UNDER ITS SERIES 2016 LOAN AGREEMENT IN RESPECT OF ITS ALLOCABLE PORTION OF THE SERIES 2016 BONDS, DASNY’S SOLE REMEDY WILL BE AGAINST THE DEFAULTING SERIES 2016 PARTICIPANT AND NO OTHER SERIES 2016 PARTICIPANT.

The Mortgages

Each Series 2016 Participant owns or leases* its respective Series 2016 Facilities. Excepting only DDI, each Series 2016 Participant’s obligations under its Series 2016 Loan Agreement will be additionally secured by a mortgage (each a “Mortgage”; collectively, the “Mortgages”) to DASNY, granting a mortgage lien on all such owned Series 2016 Facilities, and by a security interest in the fixtures, furniture and equipment financed with the proceeds of the Series 2016 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 three Series 2016 Facilities.

The Mortgages do not presently provide any security for the Series 2016 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 2016 Loan Agreement provides that DASNY, without the consent of the Trustee or the Holders of the applicable Series 2016 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 2016 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 2016 BONDS - Security for the Series 2016 Bonds - Mortgages.”

See “Appendix A - Description of Series 2016 Participants” for a description of which Series 2016 Participants (i) own or lease their respective Series 2016 Facilities and (ii) will grant mortgages (and the nature of such mortgages) on their respective Series 2016 Facilities.

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* Lifespire, Inc. leases the Harway Avenue Series 2016 Facility from ACRMD pursuant to the Lease which has a twenty-five (25) year term. Each of Lifespire, Inc. and ACRMD will mortgage their respective interests in this property to DASNY.

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2016 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 2016 Resolution and the Series 2016 Loan Agreements, copies of which are on file with DASNY and the Trustee. See also "Appendix E - Summary of Certain Provisions of the Series 2016 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 2016 Bonds

The Series 2016 Bonds are special obligations of DASNY. The principal, Sinking Fund Installments, and Redemption Price of and interest on the Series 2016 Bonds are payable solely from the Revenues. With respect to the Series 2016 Participants, the Revenues consist of the aggregate of the payments required to be made by each of the Series 2016 Participants under its respective Series 2016 Loan Agreement on account of such Series 2016 Participant's Allocable Portion of (i) the principal, Sinking Fund Installments, and Redemption Price of and interest due on the Series 2016 Bonds, and (ii) the Series 2016 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 2016 Bonds. The aggregate of payments due and payable to DASNY under all of the Series 2016 Loan Agreements will be sufficient to pay (i) the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2016 Bonds when due, (ii) amounts necessary to maintain the Series 2016 Debt Service Reserve Fund at its required level, and (iii) the annual fees of DASNY and the Trustee.

Each Series 2016 Loan Agreement is a general obligation of the respective Series 2016 Participant, pursuant to which such Series 2016 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 2016 Bonds as reflected in the debt service table set forth in "PART 3 – THE SERIES 2016 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2016 Bonds." The payment obligations of the Series 2016 Participants with respect to their respective Allocable Portions of the Series 2016 Bonds are several, not joint. Each Series 2016 Participant is obligated to repay only its Allocable Portion of the Series 2016 Bonds. Each Series 2016 Participant's payments under its respective Series 2016 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 2016 Bonds.

Payments under each of the Series 2016 Loan Agreements are to be made monthly on the 10^{th} day of each month. Each payment under the Series 2016 Loan Agreements is to be equal to one-sixth of the respective Series 2016 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 2016 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2016 Bonds." Each of the Series 2016 Loan Agreements also obligates the respective Series 2016 Participant to pay, at least 45 days prior to a redemption date of Series 2016 Bonds called for redemption, its Allocable Portion of the amount, if any, required to pay the Redemption Price of such Series 2016 Bonds. See "PART 3 – THE SERIES 2016 BONDS – Redemption Provisions."

Security for the Series 2016 Bonds

General

The Series 2016 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 2016 Participants" for a description of each of the Series 2016 Participants, including their respective Prior Pledges of their respective Pledged Revenues.

The Series 2016 Bonds will also be secured by the proceeds from the sale of such Series 2016 Bonds (until disbursed as provided in the Resolutions) and all funds and accounts authorized by the Resolution and established by the Series 2016 Resolution (with the exception of the Arbitrage Rebate Fund), including the Series 2016 Debt Service Reserve Fund.

Pursuant to the terms of the Resolution, the Series 2016 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 2016 Loan Agreements, each Series 2016 Participant has pledged and assigned to DASNY its Pledged Revenues in an amount sufficient to satisfy its payment obligations under its Series 2016 Loan Agreement, subject to any Prior Pledges. With respect to each Series 2016 Participant, the Pledged Revenues are all Public Funds attributable, directly or indirectly, to (a) its respective Series 2016 Facilities, or (b) the administration, management, supervision, or support at or from its respective Series 2016 Facilities of programs or activities at other locations, including any Intercept Funds. Public Funds are all moneys payable to a Series 2016 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 2016 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities" and "- New York State Office of Mental Health."

All but two Series 2016 Facilities are supported by an OPWDD PPA, which the applicable Series 2016 Participant has received. These PPAs represent OPWDD's pre-approval of the applicable Series 2016 Facilities for reimbursement of certain amounts sufficient to pay the principal and interest costs incurred by the related Series 2016 Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Series 2016 Facility, in each case subject to annual appropriation by the State Legislature and so long as such Series 2016 Participant operates the applicable Series 2016 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 2016 Participant that the amounts received by such Series 2016 Participant pursuant to its respective PPA or PPAs will be sufficient to pay the principal of and interest on its respective Allocable Portion of the Series 2016 Bonds related to such Series 2016 Facilities. One of the non-OPWDD PPA Series 2016 Facilities is DDI's Hollywood Drive Facility for which DDI expects to pay the principal of and interest on its Allocable Portion of the Series 2016 Bonds from its operating revenues. The other non-OPWDD PPA facility is that portion of the Ohel Series 2016 Facility which includes the Ohel Clinic and administrative space for which Ohel expects to pay the principal of and interest on the related portion of its Allocable Portion of the Series 2016 Bonds from its operating revenues and from fees for services paid by State agencies for services provided at the Ohel Clinic. See "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities" and "- New York State Office of Mental Health." Certain of the Series 2016 Facilities may also be supported by additional OPWDD PPAs, but such other OPWDD PPAs were issued with respect to other projects at such Series 2016 Facilities and not those being financed with the Series 2016 Bonds and, therefore, payments under such other PPAs do not constitute Pledged Revenues.

Standby Intercepts

The Act and each Series 2016 Loan Agreement authorize an intercept mechanism whereby public entities responsible for the payment of Pledged Revenues are authorized and required to pay a Series 2016 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 2016 Loan Agreement, until the occurrence of an event with respect to a Series 2016 Participant described in clause (a) or (b) below, a Series 2016 Participant's Pledged Revenues subject to such an intercept will be paid directly to such Series 2016 Participant and will be available to be applied towards any of its corporate purposes. However, pursuant to the respective Series 2016 Loan Agreements and the OPWDD Intercept Agreements (and in Ohel's case the OMH Intercept Agreements), upon the occurrence of (a) an event of default under a Series 2016 Participant's Series 2016 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 2016 Participant's Series 2016 Loan Agreement, or (b) a drawing of funds from the Series 2016 Debt Service Reserve Fund for the benefit of such Series 2016 Participant that has not been repaid by such Series 2016 Participant as required by its Series 2016 Loan Agreement and the Resolutions, DASNY may, in addition to all other remedies available pursuant to such Series 2016 Participant's Series 2016 Loan Agreement, cause such Series 2016 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 2016 Participant pursuant to its Series 2016 Loan Agreement. See "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities" and "- New York State Office of Mental Health." Intercepted Pledged Revenues of one Series 2016 Participant will not be available to satisfy the payment obligations of any other Series 2016 Participant.

There can be no assurance that the amount of any Series 2016 Participant's intercepted Pledged Revenues will be sufficient to satisfy such Series 2016 Participant's payment obligations with respect to its Allocable Portion of the Series 2016 Bonds. In the event that amounts received upon the intercept of a Series 2016 Participant's Pledged Revenues are insufficient to pay all of a Series 2016 Participant's Allocable Portion of the principal of and interest on the Series 2016 Bonds when due, such amounts received will be applied pro rata to such Series 2016 Participant's Allocable Portion of each Subseries of the Series 2016 Bonds.

The ability of each Series 2016 Participant to satisfy its payment obligations under its Series 2016 Loan Agreement with respect to its Allocable Portion of the Series 2016 Bonds and DASNY's ability to realize upon its security interests in the Series 2016 Participant's Pledged Revenues are largely dependent upon the continued operation by the Series 2016 Participant of its Series 2016 Facilities, which may be adversely affected by a number of risk factors. Such risk factors, which may affect the Series 2016 Participants differently, include, but are not limited to, (i) the financial condition of the Series 2016 Participant and its ability to continue to generate sufficient revenues to support all of its facilities, including its Series 2016 Facilities, (ii) the continued compliance by the Series 2016 Participant with State and local operational standards with respect to its Series 2016 Facilities, (iii) the continued commitment of Public Funds to support the programs and facilities operated by the Series 2016 Participant, particularly with respect to the Series 2016 Facilities, (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 2016 Participant pursuant to its PPAs or otherwise and for the State and State agencies to pay to Ohel fees for services provided at the Ohel Clinic, and (v) in the case of Ohel, the continued provision of services at the Ohel Clinic and the appropriate and timely billing by Ohel to the appropriate State agency for such services. For a more detailed discussion of risk factors affecting the Pledged Revenues and the ability of the Series 2016 Participants to pay amounts owed under their Series 2016 Loan Agreements, as well as other risk factors affecting payment on the Series 2016 Bonds, see "PART 11 - BONDHOLDERS' RISKS." See also "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING" and "Appendix A - Descriptions of the Series 2016 Participants," which includes for each Series 2016 Participants a description of its outstanding long-term and short-term indebtedness and credit facilities secured by security interests which are Prior Pledges with respect to its Pledged Revenues.

Debt Service Reserve Fund

The Resolution authorizes, and the Series 2016 Resolution establishes, the Series 2016 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 2016 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 2016 Bonds (the "Series 2016 Debt Service Reserve Fund Requirement").

Proceeds of the Series 2016 Bonds will be deposited in separate accounts established in the Series 2016 Debt Service Reserve Fund for each Series 2016 Participant in amounts equal to the respective Series 2016 Participant's Allocable Portion of the Series 2016 Debt Service Reserve Fund Requirement. If, on the fourth Business Day preceding an interest payment date for the Series 2016 Bonds, the amount on deposit in the account established for a Series 2016 Participant in the Debt Service Fund is less than the amount necessary to pay such Series 2016 Participant's Allocable Portion of the principal or Sinking Fund Installments of and interest on the Outstanding Series 2016 Bonds payable on such interest payment date, the Trustee is required to transfer moneys from the applicable account of the Series 2016 Debt Service Reserve Fund to the corresponding account of the Debt Service Fund in an amount sufficient to provide for such payment. Each Series 2016 Loan Agreement requires the respective Series 2016 Participant to restore in full any amount withdrawn from the Series 2016 Debt Service Reserve Fund for its benefit within five days after receiving notice of a withdrawal. Each Series 2016 Loan Agreement also requires the respective Series 2016 Participant to restore in full its Allocable Portion of the Series 2016 Debt Service Reserve Fund Requirement within five days after receiving notice of a deficiency in the Series 2016 Debt Service Reserve Fund resulting from a devaluation of the investments held therein. Each Series 2016 Participant is responsible for only its Allocable Portion of the Series 2016 Debt Service Reserve Fund Requirement. Moneys in the Series 2016 Debt Service Reserve Fund in excess of its requirement shall be applied in accordance with the Resolutions.

Reserve Fund Facilities

In lieu of or in substitution for moneys in the Series 2016 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 2016 Debt Service Reserve Fund Requirement or any Series 2016 Participant's Allocable Portion thereof. See "Appendix F - Summary of Certain Provisions of the Resolutions."

Mortgages

The Series 2016 Participants own all of the Series 2016 Facilities. Excepting only DDI, each Series 2016 Participant's obligations to DASNY under its Series 2016 Loan Agreement will be additionally secured by its Mortgage granting to DASNY a mortgage lien on all such owned Series 2016

Facilities, and by a security interest granted to DASNY in the fixtures, furnishings and equipment financed with the proceeds of the Series 2016 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 two of its three Series 2016 Facilities. See "Appendix A - Description of Series 2016 Participants" for a description of the Series 2016 Facilities owned by a Series 2016 Participant that are subject to its Mortgage.

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 2016 Debt Service Reserve Fund that has not been restored by the respective Series 2016 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 2016 Participant's Series 2016 Loan Agreement and the acceleration of the loan thereunder, DASNY is required to assign such Series 2016 Participant's Mortgage and the related security interest in the fixtures, furnishings and equipment financed with the proceeds of the Series 2016 Bonds to the Trustee for the benefit of the Holders of such Series 2016 Participant's Allocable Portion of the Outstanding Series 2016 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 2016 Bonds. **Each Mortgage secures only the obligations of the Series 2016 Participant granting the Mortgage, and, in the event of a default by a Series 2016 Participant which may lead to the assignment of its Mortgage, only the Mortgage of that defaulting Series 2016 Participant may be assigned**.

Prior to any assignment of a Mortgage to the Trustee, each Series 2016 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 2016 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 2016 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 2016 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 2016 Participant's owned Series 2016 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 2016 Participants."

Events of Default

Events of Default

The Resolutions provide that events of default thereunder constitute events of default with respect to the Series 2016 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 2016 Bonds of any Subseries; *provided, however,* if the failure to make any such payment is caused by a failure of a Series 2016 Participant to timely pay its Allocable Portion of the principal, Sinking Fund Installments or Redemption Price of or interest on the Series 2016 Bonds pursuant to the terms of its Series 2016 Loan Agreement, then it shall be an event of default under the Resolutions only with respect to the Defaulted Allocable Portion of the Series 2016 Bonds Outstanding, 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 2016B-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 2016 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 2016 Bonds); or

(iv) an event of default under a Series 2016 Loan Agreement shall have occurred and is continuing and, as a result thereof, all sums payable by a Series 2016 Participant under such Series 2016 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 2016 Loan Agreement shall constitute an event of default under the Resolutions only with respect to the Defaulted Allocable Portion of the Series 2016 Bonds.

With respect to an event of default affecting only the Defaulted Allocable Portion of the Series 2016 Bonds and not any other portion of the Series 2016 Bonds, the Trustee will determine such Defaulted Allocable Portion in the manner described in "PART 3 - THE SERIES 2016 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

The Series 2016 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 2016 Bonds, an event of default by a Series 2016 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 2016 Participant's Series 2016 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 2016 Participant's failure to timely pay its Allocable Portion of the Series 2016 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 2016 Bonds, by a notice in writing to DASNY, declare the principal of and interest on all of the Outstanding Series 2016 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 2016 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 2016 Participant to timely pay its Allocable Portion of the Series 2016 Bonds pursuant to its Series 2016 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 2016 Bonds then Outstanding declare the principal of and interest on the Defaulted Allocable Portion of the Series 2016 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 2016 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 2016 Bonds, the Holders of not less than 25% in principal amount of the Outstanding Series 2016 Bonds or 25% in principal amount of Defaulted Allocable Portion of the Series 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 Participant's Series 2016 Loan Agreement, including such Series 2016 Participant's Pledged Revenues and other amounts derived from the exercise of any remedies under such Series 2016 Loan Agreement and the realization of any security or collateral granted by such defaulting Series 2016 Participant as security for its loan, and (ii) the moneys and securities on deposit in only those accounts established pursuant to the Series 2016 Resolution for the payment of such defaulting Series 2016 Participant's Allocable Portion of the Series 2016 Bonds. Holders of a Defaulted Allocable Portion of the Series 2016 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 2016 Participant for the payment of the Series 2016 Bonds or any other security pledged by such other non-defaulting Series 2016 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 2016 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 2016 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 2016 Bonds on a pro rata basis in accordance with the Resolution, (i) the remaining Defaulted Allocable Portion of the Series 2016 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 2016 Bonds shall be deemed to have been discharged and satisfied, and (iii) the Holders of the Defaulted Allocable Portion of the Series 2016 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 2016 Bonds. Upon such payment and/or cancellation of a Defaulted Allocable Portion of the Outstanding Series 2016 Bonds, DASNY shall execute and the Trustee shall authenticate a new Series 2016 Bond or Series 2016 Bonds in a principal amount equal to the Outstanding principal amount of the Series 2016 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 2016 Bonds of less than all of the principal of and interest on a Defaulted Allocable Portion of the Series 2016 Bonds then Outstanding following an acceleration or extraordinary mandatory redemption of such Defaulted Allocable Portion of the Series 2016 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 2016 Bonds under the Resolutions.

General

The Series 2016 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 2016 BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2016 Bonds. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2016 Resolution and the Series 2016 Loan Agreements, copies of which are on file with DASNY and the Trustee. See also "Appendix E - Summary of Certain Provisions of the Series 2016 Loan Agreements" and "Appendix F - Summary of Certain Provisions of the Resolutions," for a more complete description of certain provisions of the Series 2016 Bonds.

General

The Series 2016 Bonds will be issued pursuant to the Resolutions. The Series 2016 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), pursuant to DTC's Book-Entry-Only System. Purchases of beneficial interests in the Series 2016 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 2016 Bonds, payments of principal, Sinking Fund Installments, Redemption Price and interest on the Series 2016 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 2016 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 2016 Bonds, the Series 2016 Bonds will be exchangeable for fully registered Series 2016 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 2016 Bonds

The Series 2016 Bonds will be dated their date of delivery and will bear interest from such date (payable on July 1, 2017 and on each January 1 and July 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 2016 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 2016 Bonds may be exchanged for other Series 2016 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

Optional Redemption

The Subseries 2016B-1 Bonds maturing after July 1, 2026 are subject to redemption, on or after July 1, 2026, as a whole or in part at any time at the option of DASNY, at a Redemption Price of 100% of the unpaid principal amount of the Subseries 2016B-1 Bonds to be redeemed, plus accrued interest to the redemption date.

The Subseries 2016B-2 Bonds are not subject to optional redemption.

Extraordinary Mandatory Redemption

Each Defaulted Allocable Portion of the Series 2016 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 2016 Participant as security for its loan upon an acceleration of such loan under its Series 2016 Loan Agreement. The Series 2016 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 2016 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 2016 Bonds on the redemption date less the amount of accrued interest to be paid on such Defaulted Allocable Portion of the Series 2016 Bonds on such date, by (B) the principal amount of the Defaulted Allocable Portion of the Series 2016 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 2016 Bonds to be redeemed based upon the schedule of amortization of the defaulting Series 2016 Participant's loan which has been accelerated. All Series 2016 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 2016 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 2016 Bond by the total principal scheduled to be paid in the year of maturity of such Series 2016 Bond on all loans made with the proceeds of the Series 2016 Bonds, including the defaulted loan.

The particular Series 2016 Bonds of each affected maturity to be redeemed will be selected in the manner described below under "- Selection of Series 2016 Bonds to be Redeemed."

Special Redemption

The Series 2016 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 2016 Facility of a Series 2016 Participant, (b) from unexpended proceeds of the Series 2016 Bonds upon abandonment of all or a portion of a Series 2016 Facility due to a legal or regulatory impediment and (c) the proceeds of the sale of a Series 2016 Facility.

Mandatory Sinking Fund Redemption

The Subseries 2016B-1 Bonds maturing on July 1, 2031, July 1, 2036 and July 1, 2041 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 2016B-1 Bonds specified for each such year below:

Subseries 2016B-1 Bonds Maturing July 1, 2031		**Subseries 2016B-1 Bonds Maturing July 1, 2036**		**Subseries 2016B-1 Bonds Maturing July 1, 2041**	
Year	Sinking Fund Installment	Year	Sinking Fund Installment	Year	Sinking Fund Installment
2027	$1,320,000	2032	$1,455,000	2037	$1,705,000
2028	1,365,000	2033	1,515,000	2038	650,000
2029	1,415,000	2034	1,550,000	2039	665,000
2030	1,455,000	2035	1,610,000	2040	690,000
2031†	1,500,000	2036†	1,655,000	2041†	715,000

†Final maturity.

The Subseries 2016B-2 Bonds maturing on July 1, 2019 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 2016B-2 Bonds specified for each such year below:

Year	Sinking Fund Installment
2017	$230,000
2018	285,000
2019†	265,000

†Final maturity.

The Series 2016 Participants may elect to have the Series 2016 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 2016 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 2016 Bonds of the Subseries and maturity so purchased will be reduced for such year.

Selection of Series 2016 Bonds to be Redeemed

In the case of redemptions of Subseries 2016B-1 Bonds described above under " - Optional Redemption," DASNY will select the maturities of the Allocable Portion of the Subseries 2016B-1 Bonds to be redeemed. In the case of redemption of Series 2016 Bonds described above under " - Special Redemption," Series 2016 Bonds will be redeemed to the extent practicable pro rata among maturities of the Allocable Portion of the Series 2016 Bonds, but only in integral multiples of $5,000 within each maturity. If less than all of the Series 2016 Bonds of a maturity are to be redeemed (pursuant to an optional, special, extraordinary mandatory or mandatory sinking fund redemption), the Series 2016 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 2016 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 2016 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 2016 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 2016 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2016 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 2016 Bonds.

If, on the redemption date, moneys for the redemption of the Series 2016 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 2016 Bonds of such Subseries and maturity will cease to accrue from and after the redemption date and such Series 2016 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 2016 Bonds, see "Appendix F - Summary of Certain Provisions of the Resolutions."

Purchase in Lieu of Optional Redemption

The Subseries 2016B-1 Bonds maturing after July 1, 2026 are also subject to purchase prior to maturity, at the election of DASNY, on or after July 1, 2026, in any order, in whole or in part at any time, at the price 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 Subseries 2016B-1 Bonds to be so purchased.

Notice of Purchase and its Effect

Notice of the purchase of Subseries 2016B-1 Bonds will be given by DASNY in the name of one or more of the Series 2016 Participants to the registered owners of the Subseries 2016B-1 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 Subseries 2016B-1 Bonds to be purchased are required to be tendered on the applicable Purchase Date to the Trustee. Subseries 2016B-1 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 Subseries 2016B-1 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 Subseries 2016B-1 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 Subseries 2016B-1 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 Subseries 2016B-1 Bonds to be purchased, the former registered owners of such Subseries 2016B-1 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 Subseries 2016B-1 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 Subseries 2016B-1 Bonds in accordance with their terms.

In the event not all of the Outstanding Subseries 2016B-1 of a maturity are to be purchased, the Subseries 2016B-1 Bonds of such maturity to be purchased will be selected by lot in the same manner as Subseries 2016B-1 Bonds of a maturity to be redeemed in part are to be selected.

Book-Entry-Only System

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 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 2016 Bond certificate will be issued for each maturity of the respective Subseries of Series 2016 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 and www.dtc.org.

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 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 2016 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 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 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 2016 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 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 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 2016 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 2016 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 2016 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 2016 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 2016 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2016 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 Bonds may thereafter be exchanged for an equal aggregate principal amount of Series 2016 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.

Principal, Sinking Fund Installment and Interest Requirements for the Series 2016 Bonds

The following table sets forth the amounts required to be paid by each of the Series 2016 Participants during each twelve-month period ending June 30 of the Bond Years shown for the payment of the interest on the Series 2016 Bonds payable on January 1 of such year and the principal and Sinking Fund Installments of and interest on the Series 2016 Bonds payable on the succeeding July 1.

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Total Debt Service by Series 2016 Participant

	Developmental Disabilities Institute, Inc.		Eden II School for Autistic Children, Inc.		Lifespire, Inc. and ACRMD Community Mental Retardation Services Company, Inc.*	
FY Ending	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest
6/30/2017	$10,000	$45,444	$15,000	$29,573	$45,000	$52,614
6/30/2018	70,000	77,019	45,000	49,994	95,000	88,669
6/30/2019	70,000	75,369	45,000	49,244	95,000	86,344
6/30/2020	70,000	74,019	45,000	47,894	105,000	83,794
6/30/2021	70,000	71,219	45,000	46,094	110,000	79,594
6/30/2022	80,000	68,419	50,000	44,294	110,000	75,194
6/30/2023	85,000	65,219	50,000	42,294	120,000	70,794
6/30/2024	85,000	61,819	50,000	40,294	120,000	65,994
6/30/2025	85,000	58,419	55,000	38,294	130,000	61,194
6/30/2026	85,000	55,019	55,000	36,094	135,000	55,994
6/30/2027	85,000	51,619	55,000	33,894	140,000	50,594
6/30/2028	90,000	49,069	60,000	32,244	150,000	46,394
6/30/2029	95,000	46,369	60,000	30,444	150,000	41,894
6/30/2030	95,000	43,519	65,000	28,644	150,000	37,394
6/30/2031	100,000	40,669	65,000	26,694	160,000	32,894
6/30/2032	100,000	37,669	65,000	24,744	75,000	28,094
6/30/2033	110,000	34,544	70,000	22,713	80,000	25,750
6/30/2034	110,000	31,106	70,000	20,525	80,000	23,250
6/30/2035	110,000	27,669	75,000	18,338	85,000	20,750
6/30/2036	115,000	24,231	75,000	15,994	85,000	18,094
6/30/2037	125,000	20,638	80,000	13,650	90,000	15,438
6/30/2038	125,000	16,575	80,000	11,050	90,000	12,513
6/30/2039	125,000	12,513	85,000	8,450	95,000	9,588
6/30/2040	125,000	8,450	85,000	5,688	100,000	6,500
6/30/2041	135,000	4,388	90,000	2,925	100,000	3,250

* ACRMD's liability is limited to Lifespire's Allocable Portion of the Series 2016 Bonds which are attributable to the Harway Avenue Series 2016 Facility.

Total Debt Service by Series 2016 Participant (continued)

	Ohel Children's Home and Family Services, Inc.		Services for the Underserved, Inc. and SUS-Developmental Disabilities Services, Inc.		Unique People Services, Inc.	
FY Ending	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest
6/30/2017	$95,000	$314,216	$40,000	$70,004	$25,000	$60,722
6/30/2018	535,000	532,150	100,000	118,275	85,000	102,738
6/30/2019	545,000	517,525	110,000	116,025	90,000	100,713
6/30/2020	600,000	502,750	110,000	113,400	95,000	98,688
6/30/2021	620,000	478,750	115,000	109,000	95,000	94,888
6/30/2022	645,000	453,950	120,000	104,400	105,000	91,088
6/30/2023	675,000	428,150	120,000	99,600	105,000	86,888
6/30/2024	705,000	401,150	125,000	94,800	110,000	82,688
6/30/2025	720,000	372,950	130,000	89,800	110,000	78,288
6/30/2026	760,000	344,150	130,000	84,600	110,000	73,888
6/30/2027	790,000	313,750	135,000	79,400	115,000	69,488
6/30/2028	810,000	290,050	135,000	75,350	120,000	66,038
6/30/2029	840,000	265,750	140,000	71,300	130,000	62,438
6/30/2030	865,000	240,550	150,000	67,100	130,000	58,538
6/30/2031	890,000	214,600	150,000	62,600	135,000	54,638
6/30/2032	920,000	187,900	155,000	58,100	140,000	50,588
6/30/2033	950,000	159,150	165,000	53,256	140,000	46,213
6/30/2034	980,000	129,463	165,000	48,100	145,000	41,838
6/30/2035	1,010,000	98,838	175,000	42,944	155,000	37,306
6/30/2036	1,040,000	67,275	180,000	37,475	160,000	32,463
6/30/2037	1,070,000	34,775	180,000	31,850	160,000	27,463
6/30/2038			190,000	26,000	165,000	22,263
6/30/2039			195,000	19,825	165,000	16,900
6/30/2040			205,000	13,488	175,000	11,538
6/30/2041			210,000	6,825	180,000	5,850

PART 4 - THE SERIES 2016 PARTICIPANTS

Descriptions of the Series 2016 Participants, their operations and the Series 2016 Facilities they will finance or refinance with the proceeds of the Series 2016 Bonds are set forth in Appendix A hereto. Copies of the most recent audited financial statements for each of the Series 2016 Participants are set forth in Appendix B hereto, and copies of recent unaudited financial information for each of the Series 2016 Participants are set forth in Appendix C hereto. Prospective purchasers of the Series 2016 Bonds should carefully review Appendix A, Appendix B and Appendix C.

The Series 2016 Participants are not-for-profit corporations, organized and existing under the laws of the State. All of the Series 2016 Participants have received Section 501(c)(3) designations from the Internal Revenue Service and as such qualify for exemption from certain federal income taxes. Typically, management of each Series 2016 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 2016 Participant's charitable purposes. When revenues are not sufficient to cover expenses, the Series 2016 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 2016 Participant typically serve without remuneration, though expenses associated with attendance at board meetings or other official board functions may be reimbursed.

Each of the Series 2016 Participants owns and/or leases and operates one or more facilities, including the Series 2016 Facilities as described in Appendix A, in the State, to provide services to individuals who are developmentally disabled or have other special needs. Each of the Series 2016 Participants has represented that it has the appropriate licenses and authority to provide its services under State statutes. The Series 2016 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 2016 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 2016 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 2016 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 2016 Participants**. See "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING."

The Series 2016 Participants have engaged the Program Facilitator to act as the facilitator for the InterAgency Council Pooled Loan Program. For its services, each Series 2016 Participant will pay the Program Facilitator a fee of .25% of the principal amount of its Allocable Portion of the Series 2016 Bonds at closing for new money loans and an annual fee of .125% of all of its outstanding Allocable Portion of Series 2016 Bonds. The Program Facilitator fee will not exceed $15,000 per year for any Series 2016 Participant. Each Series 2016 Participant is a member of the Program Facilitator.

Except for DDI's Hollywood Drive Facility and that portion of the Ohel Series 2016 Facility which includes the Ohel Clinic and administrative space, all of the Series 2016 Facilities financed by the Series 2016 Bonds are covered by PPAs funded by OPWDD. DDI expects that the principal of and interest on the Allocable Portion of the Series 2016 Bonds of DDI related to the Hollywood Drive Facility will be paid from operating revenues of DDI. Ohel expects that the principal of and interest on the

Allocable Portion of the Series 2016 Bonds of Ohel related to that portion of the Ohel Series 2016 Facility which includes the Ohel Clinic and administrative space will be paid from operating revenues of Ohel and from fees for services paid by State agencies for services provided at the Ohel Clinic. All of the Series 2016 Participants have over 25 years of experience providing services. See "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING."

Also see "Appendix A - Description of Series 2016 Participants" for a description of which Series 2016 Participants (i) have Prior Pledges of their respective Pledged Revenues, (ii) own or lease their respective Series 2016 Facilities and (iii) will grant mortgages (and the nature of such mortgages) on their respective Series 2016 Facilities.

PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING

General

OPWDD and other State agencies provide a portion of the revenues of the Series 2016 Participants through contracts and reimbursement arrangements for the provision of their services. The current methodology used by OPWDD and other applicable State agencies (in the case of the Ohel Clinic) in determining the amounts to be paid to the Series 2016 Participants for provision of services is set forth below. Other government funding sources for one or more of the Series 2016 Participants are described in "Appendix A - Description of Series 2016 Participants."

New York State Office for People with Developmental Disabilities

OPWDD is responsible for coordinating services for more than 130,000 New Yorkers with developmental disabilities, including intellectual disabilities, cerebral palsy, Down syndrome, autism spectrum disorders, and other disabilities. It provides services directly and through a network of approximately 700 private non-profit "service provider" agencies, with about 80% of services provided by the non-profit service provider agencies and 20% provided directly by the State. The developmental disabilities non-profit section employs over 110,000 direct service professionals in the State.

OPWDD's community services system using private non-profit agencies continues to grow, which reflects the needs of the State's residents, subject to the funds available in the OPWDD budget. For example, the residential program has grown from 9,000 community beds in 1980 to over 41,000 community beds in 2016. Additional development of community services will be required to serve individuals needing out-of-home placement who cannot be served within the existing capacity. In State Fiscal Year 2016-17, OPWDD revised its need categories for offering housing opportunities in group homes to make certain that people living at home with their families have equal access to these opportunities. Additionally, OPWDD, in response to a legislative requirement, is surveying families in the State who have a family member who will need an out-of-home placement in the next few years. A report to the State Legislature on the results of this survey submitted in February 2016 indicated that there are currently over 11,000 individuals Statewide with a reported need for an out-of-home residence, of which 52% reside in the metropolitan New York area.

Funding for new services is awarded through a Request for Services process, and is targeted to the locally identified and State-wide priority services and populations. Awards are based upon an agency's demonstrated ability to identify and serve the various priority populations.

OPWDD is charged with developing a comprehensive, cost-effective and integrated system of services to serve the full range of needs of persons with developmental disabilities. OPWDD has five regional offices specifically dedicated to overseeing non-profit agency operations and six regional offices dedicated to the operation and oversight of State provided services. Additionally, families who care for nearly 65,000 disabled family members at home are supported by a variety of services, including respite, family training, in-home services, and service coordination. These services are provided almost entirely by the non-profit sector under the supervision of OPWDD.

In connection with the foregoing, OPWDD is responsible for, among other things, the regulation and certification of the Series 2016 Facilities expected to be financed or refinanced with the proceeds of the Series 2016 Bonds (except for the Ohel Clinic, which is regulated and certified by OMH). Such regulation and certification includes, among other things, participation in the determination as to the need for such Series 2016 Facilities, review of plans and specifications for construction/rehabilitation of such Series 2016 Facilities, the right to conduct inspections and program audits, and the establishment of a reimbursement rate for an individual's care.

Effective July 1, 2014, OPWDD, in conjunction with the State Department of Health ("DOH"), implemented a new reimbursement methodology for Intermediate Care Facilities, Supervised and Supportive Community Residences (including Individualized Residential Alternatives) and Day Habilitation programs. The development of a new methodology was initiated at the request of the Federal Centers for Medicare and Medicaid Services ("CMS") to establish a more rational system that would result in uniformity, transparency, predictability and stability. The process of creating the new methodology was the result of a two-year collaborative effort among representatives of OPWDD, DOH, and provider associations, and with the oversight of CMS. The outcome of the new methodology potentially results in varying degrees of either a positive or negative change in reimbursement for individual agencies. As a safety net for providers for whom the transition to a lower reimbursement would be difficult to manage, in 2014 OPWDD and DOH issued an application for additional funds called the "People First Waiver Community Service Funds" to provide financial support to assist such providers in creating efficiencies in their operations. To qualify for these additional funds, providers had to be able to project a deficit for three years. None of the Series 2016 Participants qualified for this funding. However, funding for the capital portion of PPA projects will not change as a result of the new rate methodology.

Additionally, the 2016-17 budget for OPWDD increased by 4.3%, including $120 million for new community services plus an additional $24 million for new integrated residential settings and $15 million for affordable housing initiatives.

Population

Consistent with its comprehensive Five Year Plan, OPWDD serves a diverse population of individuals with developmental disabilities including persons with mental retardation, cerebral palsy, autism and epilepsy. OPWDD's programs are characterized by two related service systems: a State-operated institutional system and a community-based system with programs run by both the State and voluntary non-profit agencies.

The State-operated services system provides residential care and habilitative services to consumers at three remaining developmental centers and related special population units. In 2012 Governor Cuomo issued Executive Order 84 to create the Olmstead Development and Implementation Cabinet (the "Olmstead Cabinet") which is charged with developing a plan consistent with the State's obligations under a 1999 United States Supreme Court decision (Olmstead v. L.C.). The Olmstead ruling held that each state's services, programs, and activities for people with disabilities must be administered in the most integrated setting appropriate to a person's needs. In response, OPWDD accelerated its plan to move people from institutional to small community settings. As of July 1, 2016, approximately 277 people remained living in three OPWDD developmental centers: 76 in the Bernard Fineson Intensive

Treatment Options ("ITO") facility, 158 in the Sunmount ITO facility and 43 in the Valley Ridge ITO facility (Hudson Valley). By March 2017, the Fineson ITO facility is expected to be closed and the Sunmount ITO facility is expected to be reduced to 150 people.

Additionally, during 2013-14 OPWDD initiated a "system transformation" to address the principles of the Olmstead decision, as well as the guidance of the CMS. The CMS guidance and subsequent OPWDD regulations set standards for increased community integration and individuals' rights.

Population Statistics

The following are actual population statistics for the residential programs for intellectually/disabled individuals provided by OPWDD. By March 31, 2017 OPWDD projects the State Operated Development Center census to be under 200. (Source: OPWDD):

Year (as of 3/31)	State-Operated Development Centers	Community Residences
2011	1,300	39,000
2012	1,300	40,000
2013	1,100	41,077
2014	800	41,334
2015	500	40,771*
2016	277	40,771*

* OPWDD has revised its methodology for reporting the census of people living in community residences. Therefore the census numbers that appear for 2015 and 2016 do not necessarily reflect a decline in the community residence census. OPWDD continues to fund the expansion of the community residential system, and is investigating the reason for this change.

The actual expenditures made for the operations and costs of OPWDD for State Fiscal Years 2010-11 through 2014-15 and the projected expenditures for the operations and costs of OPWDD for State Fiscal Year 2015-16 are as follows. (Source: OPWDD):

Year	State Operations	Aid to Localities	Total Operations	Capital
2011-12	2,009,106,000	2,320,147,000	4,329,253,000	41,719,000
2012-13	2,052,554,000	2,204,415,000	4,256,969,000	38,710,000
2013-14	2,038,125,000	2,102,972,000	4,141,097,000	39,486,000
2014-15	2,004,535,000	2,176,427,000	4,180,962,000	47,952,000
2015-16	1,967,330,000	2,352,124,000	4,319,454,000	43,099,000
2016-17	2,131,311,000	2,652,610,000	4,790,921,000	44,392,000

The funding received by the Series 2016 Participants from OPWDD is appropriated through Aid to Localities appropriations.

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 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, inaugurated in the early 1980s, 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. This regulatory requirement is incorporated in Title 14, New York State Codes, Rules and Regulations Parts 635, 641, 681, 686, and 690. 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. For intermediate care facilities, individualized residential alternatives, day habilitation, prevocational and community residences, OPWDD will reimburse a provider for all capital costs approved in the PPA at the daily rate/price. 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. In 2010, the costs associated with equipment depreciation and interest were transferred by OPWDD to a separate operating cost category and are included with operational program costs. Since 2010, OPWDD has funded renovation costs associated with existing certified residential programs with a Residential Replacement Reserve ("RRR") rate component. The RRR is a prospective per person amount added to each program's rate. In the event that repair and renovation costs exceed the RRR capacity of a provider, OPWDD has a process that allows the provider to receive additional funding on a project specific basis. For intermediate care facilities, the RRR funding is no longer included as an operating component of the rate and since July 1, 2014 has once again become a property component which is funded through the PPA process.

PPA Regulatory Compliance Process

OPWDD has expanded restrictions related to certain projects that had not yet received a PPA as of February 2015, but would otherwise require such a document under applicable regulations. These projects (the "New PPA Lien Projects") are sites for which OPWDD funding is sought for (a) new acquisition, renovation and development, or (2) "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 but two of the Series 2016 Facilities with PPAs are New PPA Lien Projects. For a description of which Series 2016 Facilities are New PPA Lien Projects, see "Appendix A - Description of Series 2016 Participants."

For New PPA Lien Projects, OPWDD will require 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 will operate an OPWDD-regulated program at the site for 40 years, and that the provider will otherwise comply with all applicable OPWDD regulations.

In order to secure performance of the Regulatory Compliance Contract, the Capital Component Security 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 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 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 Agreement are subordinate to the lien of any Approved Mortgage (as approved in writing by OPWDD). The Mortgages granted on the Series 2016 Facilities which are New PPA Lien Projects are Approved Mortgages.

The two OPWDD Series 2016 Facilities which are not now New PPA Lien Projects could potentially become "New PPA Lien Projects," subject to the above procedures, if a future renovation is so significant as to qualify it as a "substantial renovation" (as defined above).

Commissioner's Ability to Request a Receiver for a Facility; Security Interests

Pursuant to the State's Mental Hygiene Law, facilities, such as the Series 2016 Facilities, are required to have an operating certificate (an "Operating Certificate") issued by the State Commissioner of OPWDD (the "Commissioner"). The Commissioner, upon issuing a notice that he or she will revoke or suspend an operating certificate of a residential facility, or he or she will disapprove an application for a renewal of such certificate, or prior to suspending an operating certificate for up to 60 days, may ask a court to appoint a receiver for the facility in the event that the health, safety and welfare of the residents are in jeopardy. The court shall appoint a receiver, upon making certain findings as described in the Mental Hygiene Law, which should be a voluntary association or not-for-profit corporation approved by the Commissioner and which holds a valid and current operating certificate for a facility similar to the one going into receivership. The Mental Hygiene Law explicitly provides that the receiver so appointed shall honor all existing leases, mortgages and chattel mortgages that had previously been undertaken as obligations of the owners or operators of the facility. However, such receiver may make application to the appointing court for rescission, reformation or such other relief as may be appropriate with respect to executory covenants or provisions of any contractual obligations of such owners or operators as may be necessary or appropriate to protect the best interests of the persons with developmental disabilities residing within such facility. It further 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 receiver.

OPWDD Rights With Respect to Series 2016 Facilities

In addition to the statutory receivership remedy described above, each Series 2016 Loan Agreement provides for a contractual remedy upon the failure of a Series 2016 Participant to operate its Series 2016 Facilities in accordance with regulatory standards. Each Series 2016 Participant has covenanted and agreed in its Series 2016 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 2016 Facilities in accordance with the valid operating certificate issued by OPWDD for such Series 2016 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 2016 Facility for the remaining term during which such Series 2016 Participant has agreed to operate such certified program at the Series 2016 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 2016 Participant under its Series 2016 Loan Agreement with respect to such Series 2016 Facility as they become due and owing. See "Appendix D - Summary of Certain Provisions of the Series 2016 Loan Agreements" for further details of OPWDD's rights with respect to the Series 2016 Facilities and DASNY's remedy upon an event of default by a Series 2016 Participant under its Series 2016 Loan Agreement to request OPWDD to exercise such rights.

New York State Office of Mental Health

The State has a large, multi-faceted mental health system that serves more than 700,000 individuals each year. OMH, which became an autonomous agency in 1978, operates psychiatric centers across the State, and also regulates, certifies and oversees more than 4,500 community-based programs, which are operated by local governments and nonprofit agencies. These programs include various inpatient and outpatient programs, emergency, community support, residential and family care programs.

Pursuant to Section 5.07 of the State's Mental Hygiene Law, OMH is responsible for developing a Statewide comprehensive plan for the provision of State and local services to individuals with mental illness. The objectives of the plan include identifying Statewide priorities and measurable goals to achieve those priorities, proposing strategies to obtain the goals, identifying specific services and supports to promote mental wellness, analyzing service utilization trends across levels of care, promoting recovery-oriented, state-local service development, and reporting progress on key children and family initiatives.

The OMH Transformation Plan (the "Plan") initiated for State fiscal year ("SFY") 2014-15 aims to rebalance OMH's institutional resources by further developing and enhancing community-based mental health services throughout the State. By doing so the Plan will strengthen and broaden the public mental health system to enhance the community safety net; allowing more individuals with mental illness to be supported with high quality, cost-effective services within home and community-based settings and avoid costly inpatient psychiatric stays. Beginning with the SFY 2014-15 budget and continuing through SFY 2015-16, the Plan "pre-invests" $59 million annualized into priority community services and supports, with the goals of reducing State and community-operated facilities' inpatient psychiatric admissions and lengths of stay. In addition, $15 million has been reinvested from Article 28 and 31 inpatient facilities to further support the Plan. The Ohel Clinic assists the State in meeting its goal of delivering mental health services in the local community.

Pursuant to Article 31 of the State's Mental Hygiene Law, the Commissioner of OMH ("OMH Commissioner") has the authority and responsibility to set standards for the quality and adequacy of facilities and programs that provide services for the treatment and recovery of persons who suffer from mental illness. The standards governing the operation of facilities and programs are contained in Title 14 of the Codes, Rules and Regulations of the State ("14 NYCRR").

A provider of services is required to obtain an operating certificate (license) issued by OMH prior to the operation of such facility and programs that are subject to the regulatory jurisdiction of the OMH Commissioner. Under Section 31.02 of the Mental Hygiene Law and various sections of 14 NYCRR, a provider of services must be issued an operating certificate in order to operate the following mental health programs: (i) comprehensive psychiatric emergency program; (ii) outpatient (non-residential) program, including clinic, continuing day treatment, day treatment, partial hospitalization, intensive psychiatric rehabilitation treatment, and personalized recovery oriented services; (iii) assertive community treatment program; (iv) psychiatric inpatient unit in a general hospital; (v) hospital for mentally ill person (freestanding psychiatric hospital other than a State-operated psychiatric center); (vi) residential treatment facility for children and youth; and (vii) residential (housing) facility such as a community residence or apartment program.

Section 31.11 of the Mental Hygiene Law requires every holder of an operating certificate to assist OMH in carrying out its regulatory functions by cooperating with the OMH Commissioner in any inspection or investigation, permitting the OMH Commissioner to inspect its facility, all books and records, including recipients' records, and making such reports, uniform and otherwise, as are required by the OMH Commissioner. The Mental Hygiene Law also authorizes the OMH Commissioner or his or her representatives to examine and inspect such programs to determine their suitability and proper operation. Section 31.16 of the Mental Hygiene Law authorizes the OMH Commissioner to suspend, revoke or limit any operating certificate or to impose a fine on the holder of an operating certificate.

Pursuant to the Mental Hygiene Law, facilities, such as the Ohel Clinic, are required to have an operating certificate issued by the OMH Commissioner. The OMH Commissioner, upon issuing a notice that he or she will revoke or suspend an operating certificate or he or she will disapprove an application for a renewal of such certificate, may bid out the license to other providers, which are not obligated to continue to operate the Ohel Clinic.

The Commissioner of OMH has assigned responsibility for the issuance and renewal of operating certificates to the Bureau of Inspection and Certification within the Office of Quality Management. An unannounced inspection of the program occurs prior to the renewal of the operating certificate. A program that is found in substantial compliance with the licensing standards for the program will be issued an operating certificate at the conclusion of the license renewal process. The operating certificate identifies the provider of services, the type of program, the location of the program and the effective date of the license. If applicable, the operating certificate will be accompanied by a report of the findings (monitoring outcome report) from the inspection. The monitoring outcome report identifies any areas of the program that are not in full compliance with the regulatory requirements. In most cases, the provider of services is requirement to submit a plan of corrective action to OMH to address the issues identified in the monitoring outcome report.

Mental health clinics licensed under Article 31 of the Mental Hygiene Law are paid by the State and State agencies for services provided to patients at the clinic. This reimbursement system was implemented in order to incentivize access to care, integration of care, elimination of unnecessary trips by consumers by encouraging delivery of medically necessary procedures on the say day, comprehensive attention to consumers clinical conditions and needs, delivery of appropriate services to individuals, responsiveness to crises, consumer friendly hours and service locations and services provided in languages other than English.

PART 6 – ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of proceeds of the Series 2016 Bonds:

	Subseries 2016B-1 Bonds	Subseries 2016B-2 Bonds
Estimated Sources of Funds		
Proceeds of Series 2016 Bonds	$28,645,000	$780,000
Net Original Issue Premium	552,551	0
Total Sources of Funds	$29,197,551	$780,000
Estimated Uses of Funds		
Deposit to Project Loan Fund	$27,563,556	$0
Deposit to Series 2016 Debt Service Reserve Fund	960,712	25,879
Deposit to Series 2016 Account of the Debt Service Fund	16,320	0
Underwriter's Discount	583,951	123,631
Costs of Issuance	73,012	630,490
Total Uses of Funds	$29,197,551	$780,000

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 Alcoholism and Substance Abuse Services, 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"), 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 September 30, 2016, DASNY had approximately $49 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. 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 507 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 46 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 appointment by the Speaker of the State Assembly and one of the appointments to the Board by the Governor are currently vacant.

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.

SANDRA M. SHAPARD, *Secretary*, Delmar.

Sandra M. Shapard was appointed as a Member of DASNY by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of the Budget from 1991 to 1994. She began her career in New York State government with the Assembly where she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

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.

BERYL L. SNYDER, J.D., 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.

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.

PAUL S. ELLIS, ESQ.

Paul S. Ellis was appointed as a Member of DASNY by the Speaker of the State Assembly on September 19, 2016.

MARYELLEN ELIA, *Commissioner of Education of the State of New York,* Loudonville; *ex-officio.*

MaryEllen Elia 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 July 6, 2015. As Commissioner of Education, Ms. Elia serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo's Sweet Home Central School District and taught for 19 years before becoming an administrator. She holds a Bachelor of Arts degree in History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

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.

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.

The principal staff of DASNY is as follows:

GERRARD P. BUSHELL is the President and chief executive officer of DASNY. Mr. Bushell is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Bushell was Director, Senior Institutional Advisor of BNY Mellon's alternative and traditional investment management businesses. Prior thereto, he held a number of senior advisory roles, including Director, Client Partner Group at Kohlberg Kravis Roberts & Co. (KKR), Managing Director, Institutional Sales at Arden Asset Management LLC and Head of Institutional Sales at ClearBridge: a Legg Mason Company (formerly Citi Asset Management). Mr. Bushell previously served as Director of Intergovernmental Affairs for New York State Comptroller H. Carl McCall. Mr. Bushell holds a Bachelor of Arts degree, Master of Arts degree and Ph.D. in Political Science from Columbia University.

MICHAEL T. CORRIGAN is the Vice President of DASNY, and assists the President in the administration and operation of DASNY. Mr. Corrigan came to DASNY in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County and served as the County's Budget Director from 1986 to 1995. Immediately before coming to DASNY, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor of Arts degree in Economics from the State University of New York at Plattsburgh and a Master of Arts degree in Business Administration from the University of Massachusetts.

KIMBERLY J. NADEAU is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Nadeau is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable, financial reporting functions, budget, payroll and insurance, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. She previously was Vice President-Accounting and Controller for US Light Energy. Prior to that she was Vice President-Accounting and Controller for CH Energy Group, Inc. and held various positions culminating in a director level position at Northeast Utilities. Ms. Nadeau also held various positions with increasing responsibility at Coopers & Lybrand LLP. She holds a Bachelor of Science degree in Accounting, a Master of Business Administration with a concentration in Management and a Juris Doctor degree from the University of Connecticut. She is licensed to practice law in New York and Connecticut.

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all DASNY financings. He is licensed to practice law in the State of New York and the Commonwealth of Massachusetts, as well as the United States District Court for the Northern District of New York. Mr. Cusack has over twenty years of combined legal experience, including management of an in-house legal department and external counsel teams (and budgets) across a five-state region. He most recently served as of counsel to the Albany, New York law firm of Young/Sommer, LLC, where his practice included representation of upstate New York municipalities, telecommunications service providers in the siting of public utility/personal wireless service facilities and other private sector clients. He holds a Bachelor of Science degree from Siena College and a Juris Doctor degree from Albany Law School of Union University.

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, 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.

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.

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, 2016. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 8 - LEGALITY OF THE SERIES 2016 BONDS FOR INVESTMENT AND DEPOSIT

Under State law, the Series 2016 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 2016 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 2016 Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution, the Series 2016 Resolution and in the Series 2016 Bonds.

PART 10 - TAX MATTERS

Subseries 2016B-1 Bonds

In the opinion of Barclay Damon, LLP, Co-Bond Counsel, under existing law and assuming compliance with the certain covenants described herein and the accuracy and completeness of certain representations, certifications of fact and statements of reasonable expectations by DASNY, the Series 2016 Participants, as applicable, and others, interest on the Subseries 2016B-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"). Interest on the Subseries 2016B-1 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code; provided, however, that such interest on the Subseries 2016B-1 Bonds is taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

The Code imposes various requirements that must be met in order that interest on the Subseries 2016B-1 Bonds will be and remain excluded from gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Subseries 2016B-1 Bonds and the rebate of certain earnings in respect of such investments to the United States. DASNY, each of the Series 2016 Participants, as applicable, and others have made certain representations, certifications of fact, and statements of reasonable expectations and DASNY and each of the Series 2016 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 2016B-1 Bonds from gross income under Section 103 of the Code. The opinion of Barclay Damon, LLP assumes continuing compliance with such covenants as well as the accuracy and completeness of such representations, certifications of fact, and statements of reasonable expectations.

In the event of the inaccuracy or incompleteness of any such representation, certification or statement, or of the failure by DASNY or the Series 2016 Participants to comply with any such covenant, the interest on the Subseries 2016B-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 2016B-1 Bonds, regardless of the date on which the event causing such inclusion occurs. Further, although the interest on the Subseries 2016B-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 2016B-1 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Subseries 2016B-1 Bond and such holder's other items of income, deduction or credit. The opinion of Barclay Damon, LLP expresses no opinion with respect to any such effect.

The Subseries 2016B-1 Bonds maturing July 1 in the years 2031, 2036 and 2041 (the "Discount Bonds") are being sold to the initial purchasers at prices less than the stated principal amounts thereof. The difference between the stated principal amount of the Discount Bonds and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity were sold constitutes original issue discount that is excluded from gross income for federal income tax purposes to the same extent as interest on the Subseries 2016B-1 Bonds. Further, such original issue discount accrues actuarially on a constant yield basis over the term of each Discount Bond and the basis of such Discount Bond acquired at such initial offering price by an initial purchaser of each Discount Bond will be increased by the amount of such accrued discount.

The Subseries 2016B-1 Bonds maturing July 1 in the years 2018 through 2026, inclusive (the "Premium Bonds") are being sold to the initial purchasers at prices greater than the stated principal amount thereof. The 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 initial owner of a Premium Bond may realize taxable gain upon disposition of Premium Bonds even though sold or redeemed for an amount less than or equal to such owner's original cost of acquiring Premium Bonds. The amortization requirements may also result in the reduction of the amount of stated interest that an owner of Premium Bonds is treated as having received for federal income tax purposes (and an adjustment to basis). Owners of Premium Bonds are advised to consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

Prospective purchasers of the Subseries 2016B-1 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Subseries 2016B-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 2016B-1 Bonds. Barclay Damon, LLP expresses no opinion regarding any such collateral federal income tax consequences.

Interest paid on tax-exempt obligations is subject to information reporting to the Internal Revenue Service ("IRS") in a manner similar to interest paid on taxable obligations. Interest on the Subseries 2016B-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 2016B-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 2016B-1 Bonds, if other than the registered owner).

Barclay Damon, LLP is further of the opinion that interest on the Subseries 2016B-1 Bonds is exempt from personal income taxes imposed by New York State or any political subdivision thereof (including The City of New York and the City of Yonkers). See "Appendix H – Forms of Approving Opinions of Co-Bond Counsel."

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 2016B-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 2016B-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 2016B-1 Bonds. For example, proposals have been made that could limit the exclusion from gross income of interest on obligations like the Subseries 2016B-1 Bonds for taxpayers who are individuals and whose income is subject to higher marginal tax rates or that could otherwise significantly reduce the benefit of the exclusion from gross income of interest on obligations like the Subseries 2016B-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 holders of the Subseries 2016B-1 Bonds may occur. Prospective purchasers of the Subseries 2016B-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 Barclay Damon, LLP expresses no opinion.

Barclay Damon, LLP's engagement with respect to the Subseries 2016B-1 Bonds ends with the issuance of the Subseries 2016B-1 Bonds and, unless separately engaged, Barclay Damon, LLP is not obligated to defend DASNY or the Bondholders regarding the tax-exempt status of interest on the Subseries 2016B-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 Bondholders, 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 2016B-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 2016B-1 Bonds, and may cause DASNY, the Series 2016 Participants, as applicable, or the Bondholders to incur significant expense.

Subseries 2016B-2 Bonds

In the opinion of Barclay Damon, LLP, interest on the Subseries 2016B-2 Bonds is not excluded from the gross income of the owners thereof for purposes of federal income taxation. Interest on the Subseries 2016B-2 Bonds is exempt from existing personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers. Holders of the Subseries 2016B-2 Bonds should consult their own tax advisors with respect to their particular circumstances.

The following discussion is a brief summary of the principal federal income tax consequences of the acquisition, ownership and disposition of Subseries 2016B-2 Bonds by original purchasers of the Subseries 2016B-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 2016B-2 Bonds will be held as "capital assets:" and (iii) does not discuss all of the 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 2016B-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 2016B-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 2016B-2 Bonds should consult with their own tax advisors concerning the federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Subseries 2016B-2 Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Subseries 2016B-2 Bond, a 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 holder's adjusted tax basis in the Subseries 2016B-2 Bond.

For federal income tax purposes, the defeasance of Subseries 2016B-2 Bonds pursuant to the Resolution 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, the character and timing of receipt of payments on the Subseries 2016B-2 Bonds subsequent to any such defeasance could also be affected.

Backup Withholding and Information Reporting

In general, interest paid on taxable obligations is subject to information reporting to the IRS. Interest on the Subseries 2016B-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 2016B-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 2016B-2 Bonds, if other than the registered owner).

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Subseries 2016B-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.

PART 11 - BONDHOLDERS' RISKS

General

The Series 2016 Bonds involve a certain degree of risk. Prospective investors in the Series 2016 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 2016 Bonds. This Official Statement contains only summaries of the Resolution, the Series 2016 Resolution, the Series 2016 Loan Agreements and the related documents. Prospective investors are urged to read such documents in their entirety prior to investing in the Series 2016 Bonds. Copies of such documents may be obtained from the Underwriter prior to the issuance of the Series 2016 Bonds. See Appendix A for a discussion of the financial condition and results of operations of the Series 2016 Participants, Appendix B for copies of the audited financial statements of the Series 2016 Participants, and Appendix C for copies of recent unaudited financial information for each of the Series 2016 Participants.

Set forth below are certain risk factors affecting an investment in the Series 2016 Bonds, including, among others, risk factors that could adversely affect a Series 2016 Participant's operations, revenues and expenses, including those relating to its Series 2016 Facilities, to an extent which cannot be determined at this time. Such risk factors should be considered before any investment in the Series 2016 Bonds is made. These risk factors should not be considered definitive or exhaustive.

Special, Limited Obligations of DASNY

The Series 2016 Bonds are special, limited obligations of DASNY payable solely from revenues expected to be received by DASNY from the Series 2016 Participants under the applicable Series 2016 Loan Agreement and from amounts held in the funds established pursuant to the Resolutions (other than the Arbitrage Rebate Fund). The Series 2016 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 2016 Participants

The obligations of each Series 2016 Participant under its Series 2016 Loan Agreement are independent of the obligations of each other Series 2016 Participant under their respective Series 2016 Loan Agreements. A failure by a Series 2016 Participant to timely pay its obligations under its Series 2016 Loan Agreement might result in an event of default under the Resolutions with respect to such

Series 2016 Participant's Allocable Portion of the Series 2016 Bonds. Upon the happening and continuance of an event of default affecting only a Defaulted Allocable Portion of the Series 2016 Bonds, payment on such Defaulted Allocable Portion of Series 2016 Bonds will be limited to amounts received from or payable by or on behalf of such Series 2016 Participant and amounts derived upon the realization of any security or collateral granted by such defaulting Series 2016 Participant. With respect to Series 2016 Bonds comprising part of a Defaulted Allocable Portion of the Series 2016 Bonds, Holders of such Series 2016 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 2016 Participant for the payment of other Series 2016 Bonds or any other security pledged by such other non-defaulting Series 2016 Participants as security for their loans. The Series 2016 Bonds that comprise a Defaulted Portion of the Series 2016 Bonds will be selected by the Trustee in the same manner as Series 2016 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 2016 BONDS - Events of Default - Special Provisions Relating to Defaults," "PART 3 - THE SERIES 2016 BONDS - Redemption Provisions" and "Appendix F - Summary of Certain Provisions of the Resolutions."

Reliance on Credit of the Series 2016 Participants

The Series 2016 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 2016 Participants pursuant to their respective PPAs (where applicable) are expected to provide moneys equal to debt service on their respective loans for the Series 2016 Facilities covered by the PPA (which excludes two Series 2016 Facilities), there can be no assurance that the funds received by a particular Series 2016 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 2016 Participant's Allocable Portion of the Series 2016 Bonds attributable to the Series 2016 Facilities to which the PPA or PPAs relate (whether because of non-appropriation of funds by the State, failure of a Series 2016 Participant to operate its Series 2016 Facility or Facilities in accordance with operational standards or otherwise). The portion of DDI's loan related to the Hollywood Drive Facility is not supported by a PPA and there can be no assurance that DDI's operating revenues will be sufficient for the repayment of the portion of DDI's Allocable Portion of the Series 2016 Bonds attributable to the Hollywood Drive Facility. Additionally, the portion of Ohel's loan related to the Ohel Clinic and administrative space is not supported by a PPA and there can be no assurance that Ohel's operating revenues or fees for services paid by State agencies for services provided at the Ohel Clinic or otherwise at such Series 2016 Facility (or funds received by DASNY or the Trustee upon the intercept of Ohel's OMH Intercept Funds) will be sufficient for the repayment of the portion of Ohel's Allocable Portion of the Series 2016 Bonds attributable to the Ohel Clinic. Moreover, the payment obligations of the Series 2016 Participants are several, not joint. The Holders of the Series 2016 Bonds must therefore rely upon the credit of each Series 2016 Participant for the payment of the Series 2016 Bonds (and not the credit of DASNY, the Trustee, the Underwriter, 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 2016 BONDS - Security for the Series 2016 Bonds," "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities" and "- New York State Office of Mental Health."

Each Series 2016 Participant covenants in its Series 2016 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 2016 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 2016 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 2016 Loan Agreement if such Series 2016 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 2016 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 2016 Participant is unable to demonstrate compliance.

Revenues of Series 2016 Participants

Future revenues of each Series 2016 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 2016 Bonds depends upon the receipt by the Trustee of the Loan Repayments under the Series 2016 Loan Agreements. Some of the risks that could affect the ability of one or more of the Series 2016 Participants to pay such amounts are failure of (i) the legislature of the State, or any of the counties or cities in which Series 2016 Participants operate, to approve sufficient appropriations for the purchase of services from the Series 2016 Participants; (ii) the State or various county and city departments to make timely payments to the Series 2016 Participants of appropriated amounts caused by revenue short falls or other State or local fiscal considerations; (iii) the Series 2016 Participants to fulfill their obligations which entitle them to receive payments, including payments under their respective PPAs; (iv) the Series 2016 Participants to maintain the appropriate certifications from the required licensing or certifying entity(ies) to provide services as required; (v) the Series 2016 Participants to obtain the renewal of their contracts to provide services; and (vi) Ohel to provide services at the Ohel Clinic or to appropriately bill such services to the appropriate State agency.

In addition, a Series 2016 Participant's license and/or certification may be revoked for failure to comply with standards of operation applicable to such Series 2016 Participant, or a Series 2016 Participant may cease operations of its respective Series 2016 Facility due to insolvency. In such events, OPWDD and DASNY (with respect to Series 2016 Facilities supported by PPAs) may not be able to timely identify and install a replacement operator to assume the operation of the applicable Series 2016 Facility, and thus there may be insufficient revenues to pay principal and interest on the Series 2016 Bonds.

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 2016 Participants. Any one of such adverse events may result in insufficient revenues to pay the principal and interest on the Series 2016 Bonds.

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[*] Notwithstanding the foregoing, only Lifespire, Inc. (and not ACRMD) shall be obligated to maintain the Total Debt Service Coverage Ratio under the Series 2016 Loan Agreement among DASNY, Lifespire, Inc. and ACRMD.

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 2016 Participants, the applicable Series 2016 Participant and DASNY shall enter into one or more separate loan agreements. The Series 2016 Bonds are separately secured from all other Series of Bonds and the Holders of any Series of Bonds other than the Series 2016 Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2016 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 2016 Bonds, an event of default by a Series 2016 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 2016 Participant's Series 2016 Loan Agreement. See "PART 1 - INTRODUCTION - Authorization of Issuance" and "- Security for the Series 2016 Bonds" and "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS."

Enforceability of Remedies; Effect of Bankruptcy of a Series 2016 Participant

The Series 2016 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 2016 Bonds described herein upon any default will depend upon the exercise of various remedies specified by the Resolutions, the respective Series 2016 Loan Agreements, the respective Mortgages or other security agreements 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 2016 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 2016 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 2016 Bonds are subject to various provisions of Title 11 of the United States Code (the "Bankruptcy Code"). If a Series 2016 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 2016 Participant and its property, including the commencement of foreclosure proceedings under its Mortgage, if applicable. Such Series 2016 Participant would not be permitted or required to make payments of principal or interest under its Series 2016 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 2016 Participant's OPWDD Intercept Funds and/or Ohel's OMH Intercept Funds pursuant to the applicable OPWDD Intercept Agreement and/or the applicable OMH Intercept Agreements or the Trustee from applying amounts on deposit in the accounts established with respect to such Series 2016 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 2016 Participant's Allocable Portion of the Series 2016 Bonds. Moreover, any motion for an order canceling 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 2016 Participant, which could affect the likelihood or timing of obtaining such relief. In addition, if the Mortgage of such defaulting Series 2016 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 2016 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 2016 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 2016 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 2016 Bonds

The Mortgages do not presently provide any security for the Series 2016 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 Series 2016 Loan Agreement provides that (a) DASNY, without the consent of the Trustee or the Holders of the Series 2016 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 2016 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 2016 BONDS - Security for the Series 2016 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 2016 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 2016 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 Proceeds; Environmental Impairment of Property

One of the options under each Series 2016 Participant's Series 2016 Loan Agreement, and one of the options under the Resolution, is to institute foreclosure proceedings to enforce the lien on and sell such Series 2016 Participant's Mortgaged Property, if any, in the event of a default under its Series 2016 Loan Agreement, its Mortgage(s) or the Resolutions. However, due to the limited uses for which a Series 2016 Participant's Mortgaged Property may be utilized, none of DASNY, the Program Facilitator, the Trustee, the applicable Series 2016 Participant, or the Underwriter makes any assurance or representation that DASNY or the Trustee will be able to effect a sale of a Series 2016 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 2016 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 2016 Bonds attributable to such defaulting Series 2016 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 indicated 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 rights 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 2016 Bonds that would otherwise have been available absent the existence of such hazardous materials.

Another option under a Series 2016 Participant's Series 2016 Loan Agreement is to institute proceedings to enforce the lien on and sell the Series 2016 Participant's Equipment (as defined in each Mortgage) in the event of a default under its Series 2016 Loan Agreement, its Mortgage(s) or the Resolutions. However, due to the limited uses for which a Series 2016 Participant's Equipment may be utilized, none of DASNY, the Program Facilitator, the Trustee, the applicable Series 2016 Participant, or the Underwriter makes any assurances or representations that DASNY or the Trustee will be able to sell a Series 2016 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 2016 Participant established under the Resolution, would be sufficient to pay in full the principal of, or interest on, the Series 2016 Bonds attributable to such defaulting Series 2016 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 2016 Participants. Such approval was not sought in connection with the execution, delivery and performance by the Series 2016 Participants of the Mortgages or the pledges of assets and revenues that are contemplated by the Resolutions and the Series 2016 Loan Agreements. It is the opinion of counsel to the Series 2016 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 2016 Facilities from Lien of Mortgages

Each Series 2016 Loan Agreement, each Mortgage and the Resolutions provide a Series 2016 Participant the ability to prepay a portion of its loan attributable to a Series 2016 Facility and, upon the redemption or defeasance of the related Series 2016 Bonds to have such Series 2016 Facility released from the lien of the applicable Mortgage. There is no assurance that the security, if any, provided by the remaining Series 2016 Facilities subject to the lien of such Mortgage will be sufficient to pay the then outstanding principal and interest (or other amounts due) with respect to such Series 2016 Participant's Allocable Portion of the Series 2016 Bonds. In such event 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 Series 2016 Participant.

In view of the foregoing, investors should rely on their own examination of the creditworthiness and financial condition of each of the Series 2016 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 2016 Participants are subject to Federal, State and local actions, including, among others, actions by the various State, county and city departments. The Series 2016 Bonds are payable from operating revenues of the Series 2016 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 2016 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 2016 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 2016 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 2016 Bonds, will materially adversely affect a Series 2016 Participant's ability to make its Loan Repayments and, consequently, the repayment of the Series 2016 Bonds attributable to such Series 2016 Participant.

Federal Medicaid Reform

A majority of the Public Funds (including the OPWDD Intercept Funds and the OMH Intercept Funds) are received from Medicaid. Future Medicaid reform may materially adversely affect the Public Funds received by the Series 2016 Participants.

Completion of the Projects; Zoning; Certificate of Occupancy

The acquisition of all of the Series 2016 Facilities are complete. Each of the Series 2016 Facilities has received a certificate of occupancy, but several Series 2016 Participants are seeking for one or more of their Series 2016 Facilities updated certificates of occupancy or certificates of completion that have not yet been issued. Updated certificates of occupancy or certificates of completion are required for Series 2016 Facilities of (i) DDI located at 6 Scotty Lane, Centereach, New York and 58 Collins Avenue, Deer Park, New York, (ii) Lifespire, Inc. located at 1687 Castle Hill Avenue, Bronx, New York, (iii) Ohel located at 1262 E. 14th Street, Brooklyn, New York, (iv) SUS-Developmental Disabilities Services, Inc. located at 3646 Palmer Avenue, Bronx, New York and (v) Unique People Services, Inc. located at 153-32 112th Avenue, Jamaica, New York and 1770 LaCombe Avenue, Bronx, New York.

Each Series 2016 Facility may require special use permits or compliance or other zoning approval (each, a "Certificate") from the applicable municipality. Failure of a Series 2016 Participant to obtain an appropriate Certificate where the same is required could materially adversely affect the financial position of such Series 2016 Participant. Moreover, the failure of a Series 2016 Participant's Series 2016 Facilities to receive a Certificate when required could materially adversely impact either the Series 2016 Participant's, the Trustee's or another party's right to use or occupy the Series 2016 Facility, before or after the exercise of default remedies.

Operating Certificates, which permit the Series 2016 Participants to operate their Series 2016 Facilities for their intended purposes, have been issued by OPWDD for all of the Series 2016 Facilities, except the following for which construction and/or renovation are not yet completed: (i) Lifespire, Inc.'s facilities located at 1687 Castle Hill Avenue, Bronx, New York, (ii) SUS-Developmental Disabilities Services, Inc.'s facility located at 3646 Palmer Avenue, Bronx, New York, and (iii) Unique People Services, Inc.'s facilities located at 774 Sheridan Avenue, Brooklyn, New York, 153-32 112th Avenue, Jamaica, New York and 1770 LaCombe Avenue, Bronx, New York. Ohel's Series 2016 Facility located at 1262 E. 14th Street, Brooklyn, New York does not require an Operating Certificate.

Additional Indebtedness

Under its Series 2016 Loan Agreement, each Series 2016 Participant has the ability to incur additional debt. An event of default by a Series 2016 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 2016 Participant's Series 2016 Loan Agreement. See "Appendix E - Summary of Certain Provisions of the Series 2016 Loan Agreements."

Prior Pledges of Pledged Revenues

The Series 2016 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 2016 Participants to DASNY pursuant to its Series 2016 Loan Agreement, subject to Prior Pledges. Certain of the Series 2016 Participants have previously pledged their Public Funds (a portion of which consists of the Pledged Revenues) to DASNY or an industrial development agency as security for their obligations in connection with bonds previously issued by DASNY or such industrial development agency. Certain of the Series

2016 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. The pledge of the Pledged Revenues securing such Series 2016 Participant's Allocable Portion of the Series 2016 Bonds is subject, and subordinate, to such Prior Pledges in all respects. See "Appendix A - Description of Series 2016 Participants" for a description of each of the Series 2016 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 2016 Loan Agreement, a Series 2016 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 2016 Participant and its ability to satisfy its Loan Repayment obligations. See "Appendix E - Summary of Certain Provisions of the Series 2016 Loan Agreements."

A Series 2016 Participant may also grant a subordinate mortgage as security for bonds issued by DASNY after the date of issuance of the Series 2016 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 2016 Facility, and any loan agreement, or amendment to the applicable Series 2016 Loan Agreement, between DASNY and such Series 2016 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 2016 Participant is subject to various requirements affecting its operation. The failure of a Series 2016 Participant to maintain its tax-exempt status may affect the Series 2016 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 2016 Loan Agreement. Further, a loss of a Series 2016 Participant's status as a Section 501(c)(3) organization, failure of a Series 2016 Participant to comply with certain legal requirements of the Code, or adoption of amendments to the Code applicable to such Series 2016 Participant that restrict the use of tax-exempt bonds for facilities, such as one or more of its Series 2016 Facilities, could cause interest on the Subseries 2016B-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 2016B-1 Bonds. The opinion of Barclay Damon, LLP, 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 2016B-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 2016B-1 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Subseries 2016B-1 Bonds. See "PART 10 - TAX MATTERS." The Subseries 2016B-1 Bonds are not subject to redemption, nor will the interest rate on the Subseries 2016B-1 Bonds be changed, if interest on the Subseries 2016B-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 2016B-1 Bonds.

Risk of Review by State and Federal Agencies

Various State and federal agencies, including without limitation, OPWDD, OMH, the Office of Medicaid Inspector General, the Office of State Controller, the State 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 2016 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 2016 Participant and the effect of any such review on such Series 2016 Participant's ability to make its payments under its Series 2016 Loan Agreement.

Specific Risks Related to the Ohel Clinic

Pursuant to the State's Mental Hygiene Law, facilities such as the Ohel Clinic are required to have an operating certificate issued by the OMH Commissioner. The OMH Commissioner, upon issuing a notice that he or she will revoke or suspend an operating certificate or he or she will disapprove an application for a renewal of such certificate, may bid out the license to other providers, which are not obligated to continue to operate the clinic at the Ohel's 14th Street Facility in New York City.

Also, the Pledged Revenues of Ohel from the Ohel Clinic that are subject to the OMH Intercept Agreements are entirely dependent upon the amount of out-patient mental health services provided by the Ohel staff at the Ohel Clinic and the amount of the fees for such services billed to Medicaid for payment through the applicable State agency. Unlike the Pledged Revenues arising from the OPWDD PPAs, the Pledged Revenues relating to the Ohel Clinic will not include any amount based on the debt service on the portion of Ohel's Allocable Portion of the Series 2016 Bonds issued to finance the Ohel Clinic.

PART 12 - STATE NOT LIABLE ON THE SERIES 2016 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 2016 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 2016 Bonds by DASNY are subject to the approval of Barclay Damon, LLP, Albany, New York, and Marous Law Group, P.C., New York, New York, Co-Bond Counsel to DASNY, whose approving opinions will be delivered with the Series 2016 Bonds; provided, however, that certain legal matters with respect to the tax status of interest on the Series 2016B-1 Bonds is subject to the approval of only Barclay Damon, LLP. The proposed forms of Co-Bond Counsel's opinions are set forth in Appendix H hereto.

Certain legal matters will be passed upon for the Series 2016 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 2016 Bonds or questioning or affecting the validity of the Series 2016 Bonds or the proceedings and authority under which they are to be issued.

See "Appendix A - Description of Series 2016 Participants" for a description of any litigation which may have a material adverse effect on the Series 2016 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 2016 Participant will enter into a written agreement (collectively, the "Continuing Disclosure Agreements") for the benefit of the Holders of the Series 2016 Bonds with Digital Assurance Certification L.L.C. ("DAC"), as disclosure dissemination agent, the Trustee, and DASNY. The proposed form of the Continuing Disclosure Agreement is attached as Appendix G hereto.

For information about the Series 2016 Participants' compliance with their continuing disclosure undertakings made pursuant to Rule 15c2-12, see "Appendix A - Description of Series 2016 Participants."

PART 16 - UNDERWRITING

The Series 2016 Bonds are being purchased by Municipal Capital Markets Group, Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2016 Bonds from DASNY at a purchase price of $29,269,969.47 and to make a public offering of the Series 2016 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 2016 Bonds if any Series 2016 Bonds are purchased. The Series 2016 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2016 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 2016 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 2016 Bonds have been rated "Aa2" by Moody's. The rating on the Series 2016 Bonds is based upon the obligation of the Series 2016 Participants under the Series 2016 Loan Agreements to make certain payments from the Revenues, and on the security interest in the Pledged Revenues granted by such Series 2016 Participants to DASNY under the Series 2016 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 2016 Bonds.

PART 18 - INDEPENDENT PUBLIC ACCOUNTANTS

DDI has provided its financial statements as of and for the years ended December 31, 2015, December 31, 2014 and December 31, 2013, and the other Series 2016 Participants have provided their respective financial statements as of and for the years ended June 30, 2015, June 30, 2014 and June 30, 2013. These 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 2016 Loan Agreements and the Mortgages do not purport to be complete. Refer to the Act, the Resolutions, the Series 2016 Loan Agreements and the Mortgages for full and complete details of their provisions. Copies of the Resolutions, the Series 2016 Loan Agreements and the Mortgages are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2016 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2016 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2016 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 2016 Participants and their respective Series 2016 Facilities contained in this Official Statement has, in each case, been furnished by the Series 2016 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 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 2016 Participants," "Appendix B - Audited Financial Statements of Series 2016 Participants" and "Appendix C - Unaudited Financial Information of Series 2016 Participants" were supplied by the Series 2016 Participants.

"Appendix D - Certain Definitions," "Appendix E - Summary of Certain Provisions of the Series 2016 Loan Agreements," "Appendix F - Summary of Certain Provisions of the Resolutions," and "Appendix H - Forms of Approving Opinions of Co-Bond Counsel" have been prepared by Barclay Damon, LLP, Albany, New York, and Marous Law Group, P.C., New York, New York, Co-Bond Counsel to DASNY.

"Appendix G – Form of Continuing Disclosure Agreement" has been prepared by DASNY.

Each Series 2016 Participant has reviewed the parts of this Official Statement describing such Series 2016 Participant, its Series 2016 Facilities, its Mortgage, if any, including, without limitation, "PART 1 – INTRODUCTION" (but solely with respect to the headings "The Series 2016 Participants," "Additional Security – Pledged Revenues and Standby Intercepts," and "The Mortgages"), "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS – Security for the Series 2016 Bonds - Pledged Revenues – Intercept Funds," and "– Security for the Series 2016 Bonds – Mortgages," "PART 3 – THE SERIES 2016 BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2016 Bonds," "PART 4 - THE SERIES 2016 PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING," "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 2016 Bonds that each Series 2016 Participant certify as of the dates of sale and delivery of the Series 2016 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 the light of the circumstances under which the statements are made, not misleading.

Each Series 2016 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 2016 Participant.

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/ Gerrard P. Bushell
Authorized Officer

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APPENDIX A

DESCRIPTION OF SERIES 2016 PARTICIPANTS

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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 are prepared on a consolidated basis among DDI and its affiliate. Unless otherwise indicated, the financial information contained in this Appendix includes DDI and its affiliate, notwithstanding that the Series 2016 Participant is only DDI. The affiliate of DDI will not have any obligations to make payments under the Loan Agreement.

DDI's funding sources for its 2015 Fiscal Year were: OPWDD (approximately 61%), DOH (approximately 5.7%), State Department of Education (approximately 33%) and miscellaneous other sources (approximately 0.3%).

Description of Facilities and Financing Plan. DASNY will lend DDI $2,355,000 from the proceeds of the Series 2016 Bonds ("DDI's Allocable Portion"). Such amount will be used for legal fees, capitalized interest, costs of issuance, debt service reserve requirements and to finance or refinance debt incurred in connection with projects at the following facilities (the "Facilities"):

- 6 Scotty Lane, Centereach, New York ("Scotty Lane") – approximately $771,784.79 to finance the acquisition and rehabilitation of a 3,130 square-foot, 2-story building to be used as a residence for six developmentally disabled adults.

- 58 Collins Avenue, Deer Park, New York ("Collins Avenue") – approximately $775,829.79 to finance the acquisition and rehabilitation of a 2,850 square-foot, 2-story building to be used as a residence for six developmentally disabled adults.

- 99 Hollywood Drive, Smithtown, New York ("Hollywood Drive") – approximately $619,000 to finance refurbishment and construction of roof and boiler repairs at DDI's Hollywood Drive campus.

The remainder of DDI's Allocable Portion in the amount of approximately $188,385.42 will be used for legal fees, costs of issuance and debt service reserve requirements.

The governmental funding source for the Collins Avenue and Scotty Lane Facilities is OPWDD, which DDI has received. This means those 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.

Scotty Lane and Collins Avenue are New PPA Lien Projects. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

DDI has received Certificates of Occupancy and Operating Certificates for all of the Facilities except Hollywood Drive. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

DDI owns all of the Facilities. DDI will grant DASNY mortgages on the real property with respect to the Facilities except Hollywood Drive, 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. DDI also owns 33 other properties and leases 7 other residential and day program properties throughout Long Island, New York.

Employees. DDI employs 1,121 full-time and 657 part-time 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.

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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 2015 and the Pro Forma Debt Service Coverage Ratio (which includes DDI's Allocable Portion of the Series 2016 Bonds) are as follows:

	2015 Actual	2015 Pro Forma
Total Revenues	$100,311,373	$100,311,373
Total Expenses	98,016,956	98,016,956
Net Income (after adj.)	2,294,417	2,294,417
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	3,037,286	3,037,286
Plus Current Interest Expense	1,147,841	1,147,841
New PPA Revenues (unaudited)		101,886
Cash Flow for Debt Service	6,479,544	6,581,430
Maximum Annual Debt Service (unaudited)	4,674,847	4,816,491
Debt Service Coverage Ratio (DSCR)*	1.39	1.37

*Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and DDI, the Pro Forma Debt Service Coverage Ratio (which includes DDI's Allocable Portion of the Series 2016 Bonds) based upon DDI's unaudited financial statements as of June 30, 2016 is 1.32.

Financials. Audited financial statements for DDI and its affiliate for the fiscal years ended December 31, 2013, December 31, 2014 and December 31, 2015 were prepared by BDO USA, LLP and are attached as Appendix B-I. Interim unaudited financial information for DDI and its affiliate prepared by DDI's Management covering the period from January 1, 2016 through July 31, 2016 is attached as Appendix C-I. Significant accounting policies are contained in the audited financial statements, as well as Consolidating Statements for DDI and its affiliate.

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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 DDI and its affiliate 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-I.

Fiscal Year Ended December 31,

	2011	**2012**	**2013**	**2014**	**2015**
Current Assets	$22,927,841	$27,559,192	$27,877,615	$32,696,279	$35,172,902
Net Fixed Assets	19,415,292	19,959,703	24,293,712	27,477,574	28,059,733
Other	1,951,223	19,313,119	9,998,332	5,513,765	5,599,506
Total	44,294,356	66,832,014	62,169,659	65,687,618	68,832,141
Current Liabilities	10,616,804	19,711,728	15,307,655	15,098,229	15,968,149
Other Liabilities	20,672,186	33,175,294	32,346,456	31,442,975	31,423,161
Net Assets	13,005,366	13,944,992	14,515,548	19,146,414	21,440,831
Total	44,294,356	66,832,014	62,169,659	65,687,618	68,832,141
Operating Revenue:					
Program Revenue	90,013,903	90,779,185	89,625,577	92,863,886	98,848,011
Nonprogram Revenue	(412,984)	(839,992)	(834,181)	2,006,603	1,463,362
Total	89,600,919	89,939,193	88,791,396	94,870,489	100,311,373
Operating Expenses	89,771,948	88,092,470	88,220,840	90,239,623	98,016,956
Change in Net Assets	(171,029)	1,846,723	570,556	4,630,886	2,294,417
Net Assets, Beginning of Year	13,176,395	13,005,366	13,944,992	14,515,548	19,146,414
Prior Period Adjustment	0	907,097	0	0	0
Net Assets, End of Year	13,005,366	13,944,992	14,515,548	19,146,414	21,440,831
Cash & Equivalents	4,044,867	11,046,031	8,432,223	10,402,612	15,000,115

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 $35,172,902 and $32,696,279 at the end of fiscal years 2015 and 2014, respectively. (b) External – DDI has available a revolving line of credit with TD Bank, N.A. of up to $9,000,000 which expires on August 31, 2017. There was no amount outstanding on the line as of December 31, 2015.

(3) Known Trends or Uncertainties Likely to have an Impact on Revenue or Income: It is the intention of DDI to surrender the license for its Diagnostic and Treatment Center ("OPTI Healthcare") during 2016. OPTI Healthcare will be transitioned over to another unrelated entity which will continue to provide services as a Federally Qualified Healthcare Center. DDI will lease space to this entity and have a tenant-landlord relationship.

Management of DDI and its affiliate has performed subsequent events procedures through May 20, 2016, which is the date the combined financial statements were available to be issued and there were no subsequent events, other than those mentioned above, requiring adjustment to the combined financial statements or disclosures as stated herein.

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2015 and 2014 was $213,747 and $131,153, respectively. See Appendix C-I for interim unaudited financial information through June 30, 2016.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenue 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, 2015, DDI had $15,000,115 in unrestricted cash and cash equivalents and $14,160,941 in net accounts receivable.

As of December 31, 2015, DDI had a revolving line of credit with TD Bank, N.A. of up to $9,000,000 which expires on August 31, 2017. There was no amount outstanding on the line as of December 31, 2015. The proceeds of the line of credit are to be used for operating and short term financing 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.

Long-Term Debt. As of December 31, 2015, DDI had $31,423,161 in outstanding long-term indebtedness. See Notes 12 and 13 of DDI's Audited Financial Statement for fiscal year ending December 31, 2015 under titles of "Mortgages and Loans Payable" and "Bonds Payable." DDI has not incurred any long-term debt subsequent to December 31, 2015.

Prior Pledges. DDI's line of credit for $9,000,000 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, 2015, $23,432,509 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 Prior Pledges as of October 31, 2016 amount to $23,534,789.

Contingencies; Pending or Potential Litigation. Prior to year's end, DDI is expected to pay an assessment related to alleged underfunding of assets that were held under a group self-insurance plan. In June 2006, DDI became a member of the Community Residence Saving Plan Self-Insurance Trust ("CRISP"). CRISP was organized to operate as a group self-insurer and provide for the payment of workers' compensation benefits under the New York State Workers' Compensation Law, N.Y. Work Comp Law §1 *et seq*. (2015) ("WCL"). During the time in which DDI was a participant member, CRISP is alleged to have failed to maintain trust assets in excess of trust liabilities as required by the WCL and state regulations. Accordingly, the New York State Workers Compensation Board ("Compensation Board") assumed responsibility for administration of CRISP in August 2011.

Following the dissolution of CRISP, the Compensation Board engaged accountants to review CRISP's financial condition, calculate the amount of CRISP's cumulative deficit and allocate the deficit as assessments on the former trust members on a pro rata and joint and several basis. The Compensation Board, DDI and other CRISP members have recently agreed in principle to a settlement that would release all former CRISP insureds from liability to the Compensation Board for CRISP's underfunded deficit. The Compensation Board has agreed to accept, as DDI's pro rata allocation of the trust's deficit, the amount of $1,569,026.44, to which the Compensation Board will apply a five percent discount for a one-time lump sum payment. DDI intends to enter into a formal settlement agreement with the Compensation Board on or prior to November 14, 2016, and make a one-time payment of $1,490,575 shortly thereafter, in exchange for a full release from the Compensation Board for any and all further liability relating to CRISP. DDI has already set aside funds in anticipation of this payment.

In the opinion of Management, there is no other 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 materially adversely affect the ability of DDI to carry out the transactions contemplated in the Loan Agreement, the Mortgage 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: Kevin Long, Chairperson, Edward Youngling, Vice Chairperson, Michael D'Alauro, Treasurer and Patrick McCormick, Secretary. Other members of the Board are: Larry Boone, Albert Dawson, Eric Dubrow, James Fogarty, Pamela Frank, Stuart Gordon, William Kacin, Joseph Napolitano, Joseph Schmidt, Russell Snaith, Karen Valerie, Philip Veneziano 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 Adminstration. Prior to working at DDI, Mr. Lessard was the Vice President of Operations for St. Charles Hospital. 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 filings of its audited financial statements with respect to each of its fiscal years ended December 31, 2012, December 31, 2013, December 31, 2014 and December 31, 2015; (ii) not filing notices of its failure to timely file audited financial statements for years ended December 31, 2012, December 31, 2013, December 31, 2014 and December 31, 2015; (iii) failure to file its Annual Information with respect to its fiscal year ended December 31, 2011, December 31, 2012 and December 31, 2013; and (iv) not filing notices of its failure to timely file Annual Information for years ended December 31, 2011, December 31, 2012 and December 31, 2013. 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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EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.

General Operations. Eden II School for Autistic Children, Inc. ("Eden II") was founded in 1976. Operating out of 13 facilities, Eden II provides a wide range of services to individuals with autism spectrum disorders or individuals with autistic-like communication and behavior disorders, as defined by the Autism Society of America. Eden II students and adult consumers reside in New York City and the counties of Long Island. Eden II provides the following range of services:

- Day school programs for pre-school and school age children
- A vocational program for adolescents
- Residential programs for adolescents and adults
- Family support services
- Adult day habilitation programs
- Community outreach services including parent training, community lectures and seminars, professional consultations, after-school services, and summer camps

Eden II's success in providing quality services lies in its commitment to state of the art programming. Applied Behavior Analysis, the only empirically validated intervention for individuals with autism, provides the framework for all Eden II programs. Treatment programs are tailored to fit the individual and are implemented within a community-based context, designed to facilitate community living. The goal for all consumers of Eden II is independence and community integration. Eden II 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.

Eden II's primary funding sources for its 2015 Fiscal Year were: OPWDD (approximately 47%), State Department of Education (approximately 30%), and miscellaneous other sources (approximately 23%).

Description of Facilities and Financing Plan. DASNY will lend Eden II approximately $1,535,000 from the proceeds of the Series 2016 Bonds ("Eden II's Allocable Portion"). Such amount will be used for legal fees, capitalized interest, costs of issuance, debt service reserve requirements and to finance or refinance debt incurred in connection with a project at the following facility (the "Facility"):

- 20 Sherwood Avenue, Staten Island, New York ("Sherwood Avenue") - to refinance an existing bridge loan from the Foundation for Philanthropic Funds (the "Bridge Loan"), which loan funds were used for the repair and renovation of residential apartment units in a 5,047-square-foot, two-story building to be used as a residential facility for eight developmentally disabled individuals.

The governmental funding source for the Facility is OPWDD and the Facility is supported by a PPA, which Eden II 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 acquisition and/or renovation and furnishing of the Facility and financing or refinancing costs incurred in connection therewith.

Sherwood Avenue is a New PPA Lien Project. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

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

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

Other Properties. Eden II also owns and operates 10 other properties and leases another 2 properties throughout New York City and Long Island.

Employees. Eden II employs 434 full-time and 213 part-time employees. Eden II does not expect that the operation of the Facility 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 Eden II, the Actual Debt Service Coverage Ratio of Eden II for Fiscal Year 2015 and the Pro Forma Debt Service Coverage Ratio (which includes Eden II's Allocable Portion of the Series 2016 Bonds) are as follows:

	2015 Actual	**2015 Pro Forma**
Total Revenues	$28,115,067	$28,115,067
Total Expenses	27,397,593	27,397,593
Net Income (after adj.)	717,474	717,474
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Expense Items	0	0
Plus Depreciation and Amortization	804,351	783,903
Plus Current Interest Expense	377,362	467,099
New PPA Revenues (unaudited)		91,993
Cash Flow for Debt Service	1,899,187	2,060,469
Maximum Annual Debt Service (unaudited)	1,134,293	1,226,286
Debt Service Coverage Ratio (DSCR)*	1.67	1.68

*Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and Eden II, the Pro Forma Debt Service Coverage Ratio (which includes Eden II's Allocable Portion of the Series 2016 Bonds) based upon Eden II's unaudited financial statements as of June 30, 2016 is 1.60.

Financials.

Audited financial statements for Eden II's fiscal years ended June 30, 2013, June 30, 2014 and June 30, 2015 were prepared by BDO USA, LLP and are attached as Appendix B-II. Interim unaudited financial information for Eden II prepared by Eden II's Management and covering the period from July 1, 2015 through July 31, 2016 is attached as Appendix C-II. Significant accounting policies are contained in 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 combined summary of financial information for Eden II for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Eden II's Management and derived from Eden II'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.

Fiscal Year Ended June 30,

	2011	2012	2013	2014	2015
Current Assets	$ 6,480,741	$ 7,563,747	$ 6,338,928	$ 7,868,099	$ 7,129,661
Net Fixed Assets	13,626,925	13,551,088	11,861,565	16,140,495	18,802,219
Other	364,665	245,000	2,314,950	2,269,241	2,350,504
Total	20,472,331	21,359,835	20,515,443	26,277,835	28,282,384
Current Liabilities	4,507,125	3,035,210	3,776,828	4,635,693	4,700,693
Other Liabilities	13,802,612	13,796,698	10,390,341	13,678,612	14,900,687
Net Assets	2,162,594	4,527,927	6,348,274	7,963,530	8,681,004
Total	20,472,331	21,359,835	20,515,443	26,277,835	28,282,384
Operating Revenue:					
Program Revenue	23,535,084	23,708,485	24,113,351	24,132,291	26,305,563
Nonprogram Revenue	2,158,979	5,232,404	4,390,466	5,581,434	1,016,769
Total	25,694,063	28,940,889	28,503,817	29,713,725	27,322,332
Operating Expenses	25,983,811	26,319,646	26,649,819	28,096,278	27,397,593
Unrealized Gain/Loss	362	(84,803)	(33,651)	(2,191)	119
Change in Temporarily Restricted Net Assets	646,223	(171,107)	0	0	130,209
Change in Net Assets	356,837	2,365,333	1,820,347	1,615,256	717,474
Net Assets, Beginning of Year	1,805,757	2,162,594	4,527,927	6,348,274	7,963,530
Net Assets, End of Year	2,162,594	4,527,927	6,348,274	7,963,530	8,681,004
Cash & Equivalents	672,550	315,550	482,635	743,618	603,678

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal - Eden II had current assets of $8,708,525 and $7,129,661 at the end of the fiscal years 2016 and 2015 respectively. (b) External - Eden II has a $2,000,000 line of credit with Northfield Bank, secured by general intangibles and accounts receivable. As of June 30, 2016, the outstanding balance on the line of credit was $1,400,000. The Foundation for the Advancement of Autistic Persons, Inc. (the "Foundation"), which was founded to support the mission of Eden II, provides an operational line of credit to the School of $1,000,000. As of June 30, 2016, the outstanding balance on the line of credit from the Foundation was $1,000,000.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund raising, and interest for fiscal years 2016 and 2015 were $222,414 and $330,059, respectively. See Appendix C-II for interim unaudited financial information through June 30, 2016.

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

Liquidity and Capital Resources. As of June 30, 2016 and June 30, 2015, Eden II had $890,163 and $603,678 in unrestricted cash and cash equivalents and $4,477,938 and $2,959,968 in net program services accounts receivable, respectively.

Eden II has a $2,000,000 line of credit with Northfield Bank, secured by general intangibles and accounts receivable, which includes Public Funds, and thus constitutes a Prior Pledge with respect to such funds. As of June 30, 2016, the outstanding balance on the line of credit was $1,400,000. The Foundation also provides Eden with a line of credit. As of June 30, 2016, the outstanding balance on the line of credit from the Foundation was $1,000,000.

In connection with the renovation of one of its properties, Eden II has obtained a $4.73 million bridge loan from the Foundation of Philanthropic Funds. As of June 30, 2016, $2,827,363 has been drawn and is outstanding on the loan.

Long-Term Debt. As of June 30, 2016 and June 30, 2015, Eden II had $17,068,386 and $14,900,687, respectively, in outstanding long-term indebtedness (inclusive of debt to related parties) including mortgages and bonds payable, some of which debt is secured by a security interest in Eden II's Public Funds. See Notes 9 and 10 of Eden II's Audited Financial Statement for fiscal year ending June 30, 2015 under titles of "Bonds Payable, Net" and "Mortgages Payable." On September 29, 2016, Eden II refinanced its $2,000,000 NY Industrial Development Agency, Series 2004C Bonds, secured by its real property located at 150 Granite Avenue, Staten Island, New York, with a $1,665,000 bank loan from Northfield Bank. Other than as set forth in the preceding paragraph, Eden II has not incurred any long-term debt subsequent to June 30, 2016.

Prior Pledges. Eden II's line of credit for $2,000,000 with Northfield Bank is secured by general intangibles and accounts receivable, which includes Public Funds, and thus constitutes a Prior Pledge with respect to such funds. Of Eden II's total outstanding long-term debt as of June 30, 2016 and June 30, 2015, $17,068,386 and $14,900,687, respectively, is secured by a security interest in certain receivables of and real properties owned by Eden II, which may include Eden II's Public Funds, and thus constitutes a Prior Pledge as to such funds. DDI's Prior Pledges as of October 31, 2016 amount to $14,491,851.

Contingencies; Pending or Potential Litigation. In the opinion of 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 the ability of Eden II 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 materially adversely affect the ability of Eden II to carry out the transactions contemplated in the Loan Agreement, the Mortgage and the Intercept Agreement.

Management.

Directors and Officers. A Board of Trustees (the "Board") whose members number no less than seven and no more than twenty-five governs the affairs of Eden II. There are currently twenty one members of the Eden II Board.

The officers are comprised of: Ralph Scamardella, Chair, Donald Russo, Vice-Chair, Bernardo Pace, Secretary, Gregg Illiceto, Treasurer, Deepak Alur, Sheldon Becher, Cafo Boga, James Caldarella, Jeanette Collins, Chris Drewes, Michael Giangregorio, David Glick, LouAnne Haley, Steve Kirschbaum, Barbara Maxwell, Nicole Memoli, Shanker Ramamurthy, Shanx Ravisankar, Terry Tarangelo, Christina Thivierge and Anthony Tucci. The Board meets at least four times a year. A majority of the trustees in office shall constitute a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers.

Joanne Gerenser, Ph.D., has been employed at Eden II since 1982, and has served as its Executive Director since 1996. Dr. Gerenser is a distinguished professional, having been credited with over 50 presentations and publications. She has won numerous awards for contributions in the field of autism. Dr. Gerenser earned a doctorate in Speech and Hearing Science at the City University of New York Graduate Center; a master's degree in Speech and Hearing Sciences at The Ohio State University; and a B.A. in Speech Pathology and Audiology from SUNY - Geneseo.

Other key employees include Daniel Rauch, CPA, Chief Financial Officer. Mr. Rauch joined Eden II in 2014 as the Chief Financial Officer. Prior to joining Eden II, he served as the chief financial officer at several not-for-profit organizations including a continuing care retirement community and acute care hospitals. He also has over 10 years of experience at the national accounting firm of Deloitte & Touche. Besides being a Certified Public Accountant, he is also a Certified Internal Auditor. He received a Bachelor of Business Administration from the University of Notre Dame.

Continuing Disclosure.

As described in this paragraph, during the past five years, Eden II has failed to provide certain secondary market disclosures pursuant to Rule 15c2-12 in connection with its previous continuing disclosure undertakings. Such failures include (i) the late filings of its audited financial statements with respect to its fiscal years ended June 30, 2011 and June 30, 2013; (ii) failure to link to all applicable CUSIP numbers its audited financial statements with respect to its fiscal year ended June 30, 2011, June

30, 2012, June 30, 2013 and June 30, 2014; (iii) failure to file its Annual Information with respect to each of its fiscal years ended June 30, 2011, June 30, 2012 and June 30, 2013; and (iv) failure to link to all applicable CUSIP numbers its Annual Information with respect to its fiscal year ended June 30, 2011, June 30, 2012, June 30, 2013 and June 30, 2014. Eden II has adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

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LIFESPIRE, INC.

General Operations. Lifespire, Inc. ("Lifespire") was founded in 1951. Lifespire provides a wide range of in-home and residential and day program services to the developmentally disabled community of New York City. Lifespire's mission is to provide support and assistance to individuals with developmental and related disabilities and their families. In order to achieve its mission, Lifespire provides services the goals of which are: to assist individuals to develop to their fullest level of independence; to allow individual choice in determining what their lives will be like; to help families stay together by providing relief, training and support of caregivers, which enhance the family's quality of life; and to provide excellent services as defined by the consumers of those services. Lifespire 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 Lifespire are prepared on a consolidated basis among Lifespire and its subsidiary. Unless otherwise indicated, the financial information contained in this Appendix includes Lifespire and its subsidiary, notwithstanding that the Series 2016 Participant is only Lifespire. The subsidiary of Lifespire will not have any obligations to make payments under the Loan Agreement.

Lifespire's funding sources for its 2015 Fiscal Year were: OPWDD (approximately 98%) and miscellaneous other sources (approximately 2%).

Description of Facilities and Financing Plan. DASNY will lend Lifespire and ACRMD (defined below) $2,695,000 from the proceeds of the Series 2016 Bonds ("Lifespire's Allocable Portion"). Such amount will be used for legal fees, capitalized interest, costs of issuance, debt service reserve requirements and to finance or refinance debt incurred in connection with projects at the following facilities (the "Facilities"):

- 2435 Harway Avenue, Brooklyn, New York ("Harway Avenue") – approximately $930,426 to finance the rehabilitation, furnishing and equipping of a 23,139 square-foot, 1-story building to be used as a day habilitation center for developmentally disabled adults.

- 1687 Castle Hill Avenue, Bronx, New York ("Castle Hill Avenue") – approximately $1,575,122.12* to finance the acquisition and rehabilitation of a 5,600 square-foot, 3-story building to be used as a residence for eight developmentally disabled adults.

The remainder of Lifespire's Allocable Portion in the amount of approximately $189,451.88 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 Lifespire 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.

Castle Hill Avenue (but not Harway Avenue) is a New PPA Lien Project. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

Lifespire has received a Certificate of Occupancy and Operating Certificate for its Harway Avenue facility but not for its Castle Hill facility. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

Lifespire owns Castle Hill Avenue and leases Harway Avenue from its own real estate holding affiliate ACRMD Community Mental Retardation Services Company, Inc ("ACRMD") pursuant to a lease dated October 1, 2016 ("Lease"). The term of the Lease for Harway Avenue exceeds the term of Lifespire's Allocable Portion of the Series 2016 Bonds. Lifespire, with respect to the Castle Hill Avenue real property, and both Lifespire and ACRMD with respect to the Harway Avenue real property, will grant DASNY mortgages on such real property, respectively, and will grant security interests in the furniture, fixtures and equipment financed with bond proceeds and constituting a portion of the Facilities, respectively, and a lien on the Public Funds attributable to the Facilities.

Other Properties. Lifespire also owns 36 other properties and leases 91 other residential and day program properties in the Boroughs of New York City and leases office space in Manhattan and Staten Island.

Employees. Lifespire employs 1,111 full-time and 302 part-time employees in New York City and Westchester County. Lifespire 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 Lifespire, the Actual Debt Service Coverage Ratio of Lifespire for Fiscal Year 2015 and the Pro Forma Debt Service Coverage Ratio (which includes Lifespire's Allocable Portion of the Series 2016 Bonds) are as follows:

	2015 Actual	**2015 Pro Forma**
Total Revenues	$103,797,045	$103,797,045
Total Expenses	101,701,487	101,701,487
Net Income (after adj.)	2,095,558	2,095,558
Less Extraordinary Revenue Items	(2,629,201)	(2,692,201)
Plus Extraordinary Expense Items	955,759	955,759
Plus Depreciation and Amortization	1,735,900	1,735,900
Plus Current Interest Expense	2,518,043	2,518,043
New PPA Revenues (unaudited)		188,567
Cash Flow for Debt Service	4,613,059	4,801,626
Maximum Annual Debt Service (unaudited)	4,512,893	4,701,460
Debt Service Coverage Ratio (DSCR)*	1.022	1.021

*Calculated in accordance with the definition set forth in the Loan Agreement between and among DASNY, Lifespire and ACRMD, the Pro Forma Debt Service Coverage Ratio (which includes Lifespire's Allocable Portion of the Series 2016 Bonds) based upon Lifespire's unaudited financial statements as of June 30, 2016 is 2.03. Notwithstanding anything herein to the contrary, only Lifespire (and not ACRMD) shall be obligated to maintain the Total Debt Service Coverage Ratio under the Series 2016 Loan Agreement.

Financials. Audited financial statements for Lifespire and its subsidiary for the fiscal years ended June 30, 2013, June 30, 2014 and June 30, 2015 were prepared by MBAF-CPAs, LLC and are attached as Appendix B-III. Interim unaudited financial information for Lifesire and its subsidiary prepared by Lifespire's Management covering the period from July 1, 2015 through July 31, 2016 is attached as Appendix C-III. Significant accounting policies are contained in the audited financial statements. Consolidating Statements for Lifespire and its subsidiary are not included in the audited financial statements as the contributions of the subsidiary are immaterial.

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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 Lifespire and its subsidiaryfor the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Lifespire's Management and derived from Lifespire'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.

Fiscal Year Ended June 30,

	2011	**2012**	**2013**	**2014**	**2015**
Current Assets	$41,543,217	$55,147,172	$68,429,807	$65,113,713	$54,050,661
Net Fixed Assets	18,555,175	19,301,407	17,868,535	17,526,446	17,553,855
Other	11,653,646	8,356,158	10,254,811	10,041,137	8,388,407
Total	71,752,038	82,804,737	96,553,153	92,681,296	79,992,923
Current Liabilities	26,523,603	35,522,231	34,643,396	32,337,437	26,110,179
Other Liabilities	26,616,278	36,214,975	36,729,192	35,711,916	27,155,243
Net Assets	18,612,157	11,067,531	25,180,565	24,631,943	26,727,501
Total	71,752,038	82,804,737	96,553,153	92,681,296	79,992,923
Operating Revenue:					
Program Revenue	103,181,862	103,289,400	102,886,815	101,641,989	99,505,922
Nonprogram Revenue	152,212	(1,438,773)	1,703,830	(866,565)	1,598,922
Total	103,334,074	101,850,627	104,590,645	100,775,424	101,104,844
Pension-Related Change	0	0	5,477,652	(1,900,973)	1,736,442
Operating Expenses	102,603,545	101,181,632	99,107,843	99,423,073	100,745,728
Change in Net Assets	5,596,345	(7,544,626)	11,471,504	(548,622)	2,095,558
Net Assets, Beginning of Year	13,015,812	18,612,157	11,067,531	25,180,565	24,631,943
Prior Period Adjustment	0	0	2,636,380	0	0
Net Assets, End of Year	18,612,157	11,067,531	25,180,565	24,631,943	26,727,501
Cash & Equivalents	22,407,985	24,876,092	19,880,055	18,179,568	18,339,606

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal – Lifespire had current assets of $38,896,920 and $42,126,633 at the end of the fiscal years of 2016 and 2015, respectively. (b) External – Lifespire has available a $5 million line of credit with J.P. Morgan Chase for operating expenses and a $5 million line of credit with Bank of America for capital improvements.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2016 and 2015 were $66,369 and $159,291, respectively. See Appendix C-III for interim unaudited financial information through June 30, 2016.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenue of the program. Lifespire's total operations have increased due to expansion of residential services provided. Lifespire records unearned advances to fee for service revenue as deferred revenue until it is expended for the purpose of the funding source, at which time it is recognized as Prior Period Revenue.

Liquidity and Capital Resources. As of June 30, 2016 and June 30, 2015, Lifespire had $20,944,145 and $18,339,606 in unrestricted cash and cash equivalents and $15,302,470 and $14,905,889 in net accounts receivable, respectively.

As of June 30, 2016, Lifespire had an available line of credit of $5 million with J.P. Morgan Chase. The proceeds of the line of credit are to be used for operating expenses. The line of credit is secured by a lien on Lifespire's accounts receivable, other accounts and general intangibles, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. There was no outstanding balance as of June 30, 2016.

As of June 30, 2016, Lifespire had an available line of credit of $5 million with Bank of America for the purpose of site acquisition. The line of credit is secured by a lien on each applicable acquired site. There was an outstanding balance on such line of credit of $1,035,669 as of June 30, 2016.

Long-Term Debt. As of June 30, 2016 and June 30, 2015, Lifespire had $14,214,919 and $15,188,758, respectively, in outstanding long-term indebtedness including mortgages and bonds payable, some of which debt is secured by a security interest in Lifespire's Public Funds. See Notes 10, 12 and 13 of Lifespire's Audited Financial Statement for fiscal year ending June 30, 2015 under the titles of "Mortgages Payable - DASNY," "Bonds Payable - DASNY" and "Bonds Payable - IDA." Lifespire has not incurred any long-term debt subsequent to June 30, 2016.

Prior Pledges. Lifespire's line of credit for $5,000,000 with J.P. Morgan Chase is secured by a lien on Lifespire's accounts receivable, other accounts and general intangibles, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of Lifespire's total outstanding long-term debt as of June 30, 2016 and June 30, 2015, $14,214,919 and $15,188,758, respectively, is secured by a security interest in certain receivables of and real properties owned by Lifespire, which may include

Lifespire's Public Funds, and thus constitutes a Prior Pledge as to such funds. Lifespire's Prior Pledges as of October 31, 2016 amount to $12,719,420.

Contingencies; Pending or Potential Litigation. In the opinion of 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 Lifespire 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 materially adversely affect the ability of Lifespire to carry out the transactions contemplated in the Loan Agreement, the Mortgage and the Intercept Agreement.

Management.

Directors and Officers: The affairs of Lifespire are governed by a Board of Directors of fifteen. The officers are comprised of: Michael S. Gross, Chairman, Ellen R. Green, Vice Chairman, Suzanne Revell, Treasurer, and Julian Palmo, Secretary. Other members of the Board are: Margaret Davino, Laura Gaffney, Jeffrey Goodman, Jerome Greene, Ellen R. Kozlowski, Robert Krakow, Audrey Lieberman, Denise Nicoletti, Helen Sturm and John Castro-Tie. 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: Mark van Voorst is the Chief Executive Officer of Lifespire. He holds a Master of Divinity from Princeton Theological Seminary. Prior to working at Lifespire, Mr. van Voorst was the Associate Executive Director of Lexington Center. Lifespire has several other key employees including Tom Lydon, Chief Operating Officer and Keith Lee, Chief Financial Officer.

Continuing Disclosure.

As described in this paragraph, during the past five years, Lifespire 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 each of its fiscal years ended June 30, 2011 and June 30, 2015; (ii) failure to link to all applicable CUSIP numbers its audited financial statements with respect to its fiscal year ended June 30, 2011, June 30, 2012, June 30, 2013, June 30, 2014 and June 30, 2015; (iii) not filing notices of its failure to timely file audited financial statements for years ended June 30, 2011, June 30, 2012, June 30, 2013, June 30, 2014 and June 30, 2015 due to unlinked CUSIP numbers; (iv) failure to file or late filing of its Annual Information with respect to its fiscal year ended June 30, 2011, June 30, 2012, June 30, 2013, June 30, 2014 and June 30, 2015 due to unlinked CUSIP numbers; and (v) not filing notices of its failure to timely file Annual Information for years ended June 30, 2011, June 30, 2012, June 30 , 2013, June 30, 2014 and June 30, 2015 due to unlinked CUSIP numbers. Lifespire has adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

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OHEL CHILDREN'S HOME AND FAMILY SERVICES, INC.

General Operations. Ohel Children's Home and Family Services, Inc. ("Ohel") was founded in 1969 as a foster care agency. In 2004, Ohel became the successor entity in a merger with Bais Ezra Inc. Today, Ohel is a multi-faceted social service agency providing a range of services including foster care, day and residential mental health programs, employment training and placement services, community outreach, advocacy and a children's sleep-away camp. Ohel 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 Ohel are prepared on a consolidated basis among Ohel and its affiliates. Unless otherwise indicated, the financial information contained in this Appendix includes Ohel and its affiliates, notwithstanding that the Series 2016 Participant is only Ohel. The affiliates of Ohel will not have any obligations to make payments under the Loan Agreement.

Ohel's funding sources for its 2015 Fiscal Year were: OPWDD (approximately 58%), OMH (approximately 16%) and miscellaneous other sources (approximately 26%).

Description of Facilities and Financing Plan. DASNY will lend Ohel approximately $16,065,000 from the proceeds of the Series 2016 Bonds ("Ohel's Allocable Portion"). Such amount will be used for legal fees, capitalized interest, costs of issuance, debt service reserve requirements and to finance or refinance debt incurred in connection with a project at the following facility (the "Facility"):

- 1262 E. 14th Street, Brooklyn, New York ("E. 14th Street") – to refinance the acquisition, renovation and furnishing of an approximately 60,000 square-foot, three-story building to be used as a mental health clinic, medical facility and administrative offices.

The governmental funding sources for the Facility are OPWDD and OMH and the Facility. The portion of the Facility which is used for day habilitation services is supported by a PPA, which Ohel has received. This means that such portion of the Facility is 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 such portion of the Facility and financing or refinancing costs incurred in connection therewith. The principal and interest on Ohel's Applicable Portion of the Series 2016 Bonds related to that portion of E. 14th Street not used for day habilitation services is expected by Ohel to be paid from its operating revenues and funds received by OMH.

Ohel's Allocable Portion will be allocated as follows: approximately $3,045,240 toward the day habilitation services portion of the Facility supported by a PPA, approximately $3,045,240 toward Ohel's OMH-licensed mental health clinic operating out of the Facility, approximately $9,135,719.99 toward other administrative related components of the Facility and approximately $838,800.01 toward legal fees, costs of issuance and debt service reserve requirements.

The portion of E. 14th Street which is used for day habilitation services is a New PPA Lien Project. See the information in this Official Statement entitled "PART 5 - SOURCES OF SERIES 2016 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

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

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

Other Properties. Ohel owns 19 other properties facilities and leases 124 other properties in New York City, Long Island and upstate New York.

Employees. Ohel employs approximately 1,500 employees, including approximately 500 full-time, 800 part-time and 200 temporary employees in the State of New York. Ohel does not expect that the project at the Facility 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 Ohel, the Actual Debt Service Coverage Ratio of Ohel for Fiscal Year 2015 and the Pro Forma Debt Service Coverage Ratio (which includes Ohel's Allocable Portion of the Series 2016 Bonds) are as follows:

	2015 Actual	**2015 Pro Forma**
Revenues	$73,423,906	$73,423,906
Expenses	65,113,622	65,113,622
Net Income (after adj.)	8,310,284	8,310,284
Less Extraordinary Revenue Items	9,261,565	9,261,565
Plus Extraordinary Expense Items	368,816	368,816
Plus Depreciation and Amortization	2,691,402	2,691,402
Plus Current Interest Expense	728,001	728,001
Cash Flow for Debt Service	2,836,938	2,836,938
Maximum Annual Debt Service (unaudited)	2,144,713	2,269,905
Debt Service Coverage Ratio (DSCR)*	1.323	1.250

*Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and Ohel, the Pro Forma Debt Service Coverage Ratio (which includes Ohel's Allocable Portion of the Series 2016 Bonds) based upon Ohel's unaudited financial statements as of June 30, 2016 is 1.393.

Financials. Financial statements for Ohel and its affiliates for the fiscal years ended June 30, 2013, June 30, 2014 and June 30, 2015 were audited by WeiserMazars LLP and are attached as Appendix B-IV. Interim unaudited financial information for Ohel and its affiliates prepared by Ohel's Management and covering the period from July 1, 2015 through July 31, 2016, is attached as Appendix C-IV. Significant accounting policies are contained in the audited financial statements. A Consolidating Statement for Ohel and its affiliates is included in the audited financial statement for fiscal year ending June 30, 2015. Consolidating Statements for Ohel and its affiliates are not included in the audited financial statements for fiscal years ended June 30, 2013 and June 30, 2014 as the activities of the affiliates were immaterial in those years.

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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 combined summary of financial information for Ohel and its affiliates for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Ohel's Management and derived from Ohel'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.

Fiscal Year Ended June 30,

	2011	2012	2013	2014	2015
Current Assets	$16,782,824	$19,648,007	$21,249,644	20,180,245	24, 130,516
Net Fixed Assets	32,281,041	36,186,033	37,993,096	36,777,312	47,919,165
Other	3,393,799	1,652,020	1,485,346	2,174,128	2,501,090
Total	52,457,664	57,486,060	60,728,085	59,131,685	74,550,771
Current Liabilities	11,691,749	18,772,355	19,340,757	17,628,276	20,617,679
Other Liabilities	22,366,188	20,271,843	20,774,299	19,191,038	23,310,439
Net Assets	18,399,727	18,441,862	20,613,030	22,312,369	30,622,653
Total	52,457,664	57,486,060	60,728,085	59,131,685	74,550,771
Operating Revenue:					
Program Revenue	47,918,532	45,761,848	48,330,593	52,442,600	53,833,252
Nonprogram Revenue	7,412,822	7,209,858	8,138,381	7,824,897	10,329,089
Total	55,331,354	52,971,706	56,468,974	60,267,497	64,162,341
Operating Expenses	52,625,354	51,475,963	55,942,974	60,462,435	64,744,806
Other Items, Net	1,564,074	(1,453,608)	1,645,168	1,894,277	8,892,749
Change in Net Assets	4,270,074	42,135	2,171,168	1,699,339	8,310,284
Net Assets, Beginning of Year	14,129,653	18,399,727	18,441,862	20,613,030	22,312,369
Net Assets, End of Year	18,399,727	18,441,862	20,613,030	22,312,369	30,622,653
Cash & Equivalents	8,506,583	9,182,232	8,133,070	7,849,589	12,216,260

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal - Ohel had current assets of $22,063,023 and $24,130,516 at the end of fiscal years ending 2016 and 2015 respectively. (b) External – Ohel has available a $3,500,000 a revolving line of credit with Sterling National Bank. Ohel had outstanding approximately $3,500,000 of the line on June 30, 2016.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund raising, membership dues, and interest/investment for fiscal years 2016 and 2015 was $10,636,438 and $10,329,089, respectively. See Appendix C-IV for interim unaudited financial information through June 30, 2016.

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

Liquidity and Capital Resources. As of June 30, 2016 and June 30, 2015, Ohel had $8,793,828 and $12,216,261 in unrestricted cash and cash equivalents and $5,298,590 and $6,502,502 in net program receivable, respectively.

As of June 30, 2016, Ohel had an available line of credit of $3,500,000 with Sterling National Bank, carrying a rate of interest at the bank's prime rate plus 0.5%. $3,500,000 was outstanding on the line of credit as of June 30, 2016. The line of credit is secured by a security interest in all revenues, accounts and receipts of Ohel, which includes Public Funds, which constitutes a Prior Pledge as to such funds.

As of June 30, 2016, Ohel also had an available line of credit of $6,000,000 with Sterling National Bank, carrying a rate of interest at the bank's prime rate plus 0.5%, of which $6,000,000 was outstanding as of June 30, 2016. This line of credit was repaid on July 1, 2016 and was not renewed.

Long-Term Debt. As of June 30, 2016 and June 30, 2015, Ohel had $22,331,149 and $19,614,417, respectively, in outstanding long-term indebtedness including mortgages, notes and bonds payable, some of which debt is secured by a security interest in Ohel's Public Funds. See Note 10 of Ohel's Audited Financial Statement for fiscal year ending June 30, 2015 under the title of "Mortgages and Bonds Payable." Since June 30, 2016, Ohel has borrowed $1,950,000 secured by the proceeds of a $1,950,000 grant payable by the City of New York. Additionally, in September 2016, Ohel obtained an unsecured loan of $3,000,000 from an unrelated third party.

Prior Pledges. Ohel's line of credit for $3,500,000 with Sterling National Bank is secured by a security interest in all revenues, accounts and receipts of Ohel, which includes Public Funds, which constitutes a Prior Pledge as to such funds. Of Ohel's total outstanding long-term debt as of June 30, 2016 and June 30, 2015, $22,331,149 and $19,614,417, respectively, is secured by a security interest in certain receivables of and real properties owned by Ohel, which may include Ohel's Public Funds, and thus constitutes a Prior Pledge as to such funds. Ohel's Prior Pledges as of October 31, 2016 amount to $20,563,440.

Contingencies; Pending or Potential Litigation. In the opinion of 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 Ohel 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 materially adversely affect the ability of Ohel to carry out the transactions contemplated in the Loan Agreement, the Mortgage and the Intercept Agreements.

Management.

Directors and Officers: The affairs of Ohel are governed by a Board of Directors of 43 members. The officers of the Board of Directors are comprised of: Moshe Zakheim and Elly Kleinman, Co-Chairman of the Board, Marvin Hellman and Mel Zachter, Co-Board Presidents, Saul Friedman, Jack Jaffa and Sol Mermelstein, Vice Presidents, Harry Schlachter, Treasurer, and Jules (Yitzchok) Fleischer, Secretary. Other members of the Board of Directors are: Cindy Becker, Sendy Berger, Dr. Marcel Biberfeld, Shloime Dachs, Ben Englander, Dr. Jerald Friedman, Ira Ganger, Harold Gelernter, Marvin Hellman, Reuven Hellman, Ronny Hersh, Marc Herskowitz, Aryeh Jacobson, Danial Jacobson, Aaron Jungreis, Jay Kestenbaum, Elly Kleinman, Laizer Kornwasser, Andrew Krull, Irving Langer, Louis Libin, Rachel Marks, Chaim Mermelstein, Mark Newman, Stuart Pollak, Bruce Prince, Gidon Rothstein, Annette Rubin, Baila Sandhaus, Elaine Schickman, Fred Schulman, Jeffrey Schwartz, Karen Spitalnick, Barry Stern, Michelle Sulzberger, Saul Wasser, and Moshe Zakheim. The Board of Directors meets at least four times a year. Twenty-five percent (25%) of the members of the Board constitute a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: David Mandel is the Chief Executive Officer of Ohel. He holds a Master of Business Administration and a Master of Arts in psychology from New York University and a Bachelor of Arts from Brooklyn College. Prior to working at Ohel, Mr. Mandel held senior management positions in the Manhattan, Queens and Long Island Regions of OPWDD.

Howard B. Lorch, CPA is the Chief Financial Officer of Ohel. Prior to joining Ohel, Mr. Lorch was a Partner of the accounting firm of Deloitte & Touche, LLP and held senior financial management positions at various publicly traded companies. Mr. Lorch holds a Masters in Business Administration from Columbia University and a Bachelor of Arts from Yeshiva University.

Continuing Disclosure.

As described in this paragraph, during the past five years, Ohel has 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 with respect to each of its fiscal years ended June 30, 2011, June 30, 2012, June 30, 2013 and June 30, 2015; (ii) not filing notices of its failure to timely file audited financial statements for years ended June 30, 2011, June 30, 2012, June 30, 2013 and June 30, 2015; (iii) failure to file its Annual Information with respect to its fiscal years ended June 30, 2011, June 30, 2012, June 30, 2013 and June 30, 2015; and (iv) not filing notices of its failure to timely file Annual Information for years ended June 30, 2011, June 30, 2012, June 30, 2013, and June 30, 2015. Ohel has adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

SERVICES FOR THE UNDERSERVED, INC.
AND
SUS-DEVELOPMENTAL DISABILITIES SERVICES, INC.

General Operations. Services for the UnderServed, Inc. ("SUS") and its five affiliates were founded in and after 1978. Operating out of 104 facilities and its corporate offices at 305 7th Avenue, New York, New York, SUS and its affiliates provide a wide range of in-home and residential services to the developmentally disabled, mentally ill, people living with AIDS and other communities of New York City. The mission of SUS and its affiliates is to provide support and assistance to individuals with special needs to live with dignity in the community, direct their own lives and attain personal fulfillment. In order to achieve their mission, SUS and its affiliates provide services with the following goals: (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. SUS 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.

SUS-Developmental Disabilities Services, Inc. ("SUS-DD") is a subsidiary of SUS and is the entity that, along with SUS, will receive the loan from the proceeds of the Series 2016 Bonds. SUS-DD is also 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. Since SUS and SUS-DD will both receive the loan from the proceeds of the Series 2016 Bonds, this Appendix includes financial information about SUS and its related organizations, which include all SUS subsidiaries, including SUS-DD, notwithstanding that the Series 2016 Participants are only SUS and SUS-DD. The other affiliates of SUS will not have any obligations to make payments under the Loan Agreement.

SUS-DD's sole funding source for its 2015 Fiscal Year was OPWDD.

On December 4, 2014, SUS and Palladia, Inc. and affiliates (collectively, "Palladia"), 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, consummated a merger, resulting in SUS becoming the sole member of Palladia. As a result of this transaction, the existing structure and entities of Palladia are expected to continue, but SUS is expected to exercise control oversight in its capacity as sole member. The not-for profit status of SUS and Palladia entities is unchanged by the acquisition. For the fiscal year ended June 30, 2014, Palladia had revenues of approximately $45 million. In connection with the acquisition, SUS provided an initial $3.5 million of liquidity to Palladia.

Description of Facility and Financing Plan. DASNY will lend SUS and SUS-DD approximately $3,630,000 from the proceeds of the Series 2016 Bonds ("SUS and SUS-DD's Allocable Portion"). Such amount will be used for legal fees, capitalized interest, costs of issuance, debt service reserve requirements and to finance or refinance debt incurred in connection with projects at the following facilities (the "Facilities"):

- 813 Barbey Street, Brooklyn, New York ("Barbey Street") – to finance the acquisition and rehabilitation of a 3,150 square foot, three-story building to be used as a residence for nine developmentally disabled adults.

- 3646 Palmer Avenue, Bronx, New York ("Palmer Avenue") – to finance the acquisition and rehabilitation of a 2,310 square foot, three-story building to be used as a residence for six developmentally disabled adults.

- 180-06 146th Avenue, Springfield Gardens, New York ("146th Avenue") – to finance the acquisition and rehabilitation of a 1,900 square foot, three-story building to be used as a residence for seven developmentally disabled adults.

The governmental funding source for the Facilities is OPWDD, and the Facilities are supported by PPAs, which SUS 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 2016 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

SUS and SUS-DD have received Certificates of Occupancy for all Facilities, but need a new Certificate of Occupancy for Palmer Avenue, and Operating Certificates for all of the Facilities except Palmer Avenue. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

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

Other Properties. SUS-DD and other SUS affiliates own 70 other properties and lease another 34 residential and day program properties in the Boroughs of New York City and lease office space in Manhattan and Brooklyn. These do not include individual apartments which SUS rents on behalf of its consumers.

Employees. SUS employs a staff of 1,876, of which 1,709 are full-time employees and 167 are part-time employees. SUS does not expect that the projects at 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 among DASNY, SUS and SUS-DD, the Actual Debt Service Coverage Ratio of SUS and SUS-DD for Fiscal Year 2015 and the Pro Forma Debt Service Coverage Ratio (which includes SUS and SUS-DD's Allocable Portion of the Series 2016 Bonds) are as follows:

	2015 Actual	**2015 Pro Forma**
Total Revenues	$154,848,000	$154,848,000
Total Expenses	141,211,000	141,211,000
Net Income (after adj.)	13,618,000	13,618,000
Less Extraordinary Revenue Items	0	0
Plus Extraordinary Revenue Items	19,000	19,000
Plus Depreciation and Amortization	3,424,000	3,424,000
Plus Current Interest Expense	1,336,000	1,336,000
New PPA Revenues (unaudited)		217,229
Cash Flow for Debt Service	18,397,000	18,614,229
Maximum Annual Debt Service (unaudited)	5,734,000	5,872,229
Debt Service Coverage Ratio (DSCR)*	3.21	3.17

*Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and SUS and SUS-DD, the Pro Forma Debt Service Coverage Ratio (which includes SUS and SUS-DD's Allocable Portion of the Series 2016 Bonds) based upon SUS's unaudited financial statements as of June 30, 2016 is 1.14.

Financials. Audited financial statements for SUS and its affiliates for the fiscal years ended June 30, 2013, June 30, 2014 and June 30, 2015 were prepared by BDO USA, LLP, and are attached as Appendix B-V. Interim unaudited financial information for SUS and its affiliates prepared by SUS's and SUS-DD's Management covering the period from July 1, 2015 through July 31, 2016 is attached as Appendix C-V. Significant accounting policies are contained in the audited financial statements, as well as Consolidating Statements for SUS 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 SUS and its affiliates for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by SUS's Management and derived from SUS'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.

Fiscal Year Ended June 30,

	2011	2012	2013	2014	2015
Current Assets	$22,524,676	$19,685,739	$25,284,260	$25,218,218	$43,949,000
Net Fixed Assets	37,196,087	37,453,557	35,546,212	36,198,047	59,342,000
Other	4,781,499	5,449,163	4,936,323	5,194,405	10,765,000
Total	64,502,262	62,588,459	65,766,795	66,610,670	114,056,000
Current Liabilities	7,525,660	10,387,645	11,246,768	12,476,871	37,745,000
Other Liabilities	39,589,429	34,035,718	37,003,463	32,880,713	41,440,000
Net Assets	17,387,173	18,165,096	17,516,564	21,253,086	34,871,000
Total	64,502,262	62,588,459	65,766,795	66,610,670	114,056,000
Operating Revenue:					
Program Revenue	85,672,714	69,939,169	79,592,581	91,902,365	140,288,000
Nonprogram Revenue	973,905	393,462	719,676	1,033,100	3,155,000
Total	86,646,619	70,332,631	80,312,257	92,935,465	143,443,000
Operating Expenses	86,000,342	69,554,708	77,752,761	89,198,943	140,757,000
Gain (Loss) From Discontinuing Operations	(1,232,840)	0	0	0	0
Other Changes[1]	(537,502)	0	(3,208,028)	0	10,951,000
Change in Net Assets	(1,104,577)	777,923	(648,532)	3,736,522	13,618,000
Net Assets, Beginning of Year	18,491,750	17,387,173	18,165,096	17,516,564	21,253,000
Net Assets, End of Year	17,387,173	18,165,096	17,516,564	21,253,086	34,871,000
Cash & Equivalents	12,721,945	9,623,798	10,730,608	7,916,434	11,963,000

[1] See Notes 5 and 21 to audited financial statements presented in Appendix B-V.

Management's Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal – SUS had current assets of $61,404,000 and $43,949,000 at the end of fiscal years 2016 and 2015, respectively. (b) External – SUS has available a $23 million credit facility with Bank of America consisting of a $17 million revolving line of credit and a $6 million term loan.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund raising, and interest for fiscal years 2016 and 2015 was $0 and $10,951, respectively. See Appendix C-V for interim unaudited financial information through June 30, 2016.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenue of such program. In 2011, SUS terminated a home attendant contract with the City of New York, resulting a decrease in revenue of approximately $20 million. Subsequent to the termination of such contract, SUS pursued program growth in other areas, resulting in an increase in revenue of approximately $22 million since 2012. In December 2014, SUS entered into a membership transaction with Palladia, Inc. which substantially increased the budget and balance sheet of SUS. See Notes 5 and 21 to audited financial statements presented in Appendix B-VI for additional information as to the assets and liabilities acquired in that transaction.

Liquidity and Capital Resources. As of June 30, 2016 and June 30, 2015, SUS had $11,598,000 and $11,963,000 in unrestricted cash and cash equivalents and $38,605,000 and $28,935,000 in net accounts receivable.

As of June 30, 2016, SUS has available a $23 million credit facility with Bank of America consisting of a $17 million revolving line of credit and a $6 million term loan. The line of credit and term loan are secured by SUS's accounts receivable and all business assets, including Public Funds, and thus constitute a Prior Pledge as to such funds. There was no outstanding balance under these credit facilities as of June 30, 2016.

Long-Term Debt. As of June 30, 2016 and June 30, 2015, SUS had $35,757,000 and $29,693,000, respectively, in outstanding long-term indebtedness including mortgages and bonds payable, some of which debt is secured by a security interest in SUS's Public Funds. See Notes 8, 9 and 10 of SUS's Audited Financial Statement for fiscal year ending June 30, 2015 under titles of "Mortgages Payable", "Loan Payable" and "Bonds Payable." Neither SUS nor SUS-DD has incurred any long-term debt subsequent to June 30, 2016.

Prior Pledges. SUS's credit facility for $23,000,000 with Bank of America is secured by a lien on SUS's accounts receivable, which include Public Funds, and thus constitutes a Prior Pledge as to such funds. Of SUS's total outstanding long-term debt as of June 30, 2016 and June 30, 2015, $35,757,000 and $29,693,000, respectively, is secured by a security interest in certain receivables of and real properties owned by SUS, which may include SUS's Public Funds, and thus constitutes a Prior Pledge as to such funds. SUS's Prior Pledges as of October 31, 2016 amount to $34,973,250.

Contingencies; Pending or Potential Litigation. In the opinion of 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 SUS or SUS-DD 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 materially adversely affect the ability of SUS or SUS-DD to carry out the transactions contemplated in the Loan Agreement, the Mortgage and the Intercept Agreement.

SUS has received two letters in October 2016 from the U.S. Department of Housing and Urban Development ("HUD") alleging overpayments by HUD under its Continuum of Care program contract with SUS. HUD states its intent to recover from SUS approximately $1,724,508.36 in overpayments under such contract along with additional lesser sums under unrelated contracts. Although this dispute is preliminary in nature, Management of SUS does not believe that the matter will have a material adverse effect on the financial condition or business operations of SUS.

Management.

Directors and Officers: The affairs of SUS are governed by a Board of Directors of not less than seven nor more than sixteen. The officers are comprised of: Gareth Old, Chair, Jennifer Press Marden, Vice-Chair, Ed Hubbard, Treasurer and James N. Donna, Secretary. Other members of the Board of Directors are: Earl D. Brown, Sherrie Dulworth, Peter Friedland, Annette Hall, Lawrence Hamdan, Jacquie A. Holmes, Edward Hubbard, Adam Kellner, Anthony Lemma, Joshua Liston, Marcus Mayo, Scott Millmet, Carolyn P. Powell, Jennifer Press Marden, Beverly C. Reid, Joann Y. Sacks, Ph.D, Deborah Wolfe and Andrew Zimmern. The Board of Directors meets at least four times per year. A majority of the Board of Directors constitutes a quorum. The members of the Board of Directors serve without compensation.

Executive and Administrative Officers: Donna Colonna has been employed by SUS since 1997 and has been the President and Chief Executive Officer of SUS since January 2002. She holds a M.S. degree from Pace University and a B.A. from Hunter College. She currently serves as President of the Interagency Council of Developmental Disabilities Agencies, Inc., Board Chair of Coordinated Behavioral Care, Inc., First Vice-Chairperson of New York Integrated Network, member of the Leadership Council of Support Center for Nonprofit Management, and board member of the Coalition of Behavioral Health Agencies Inc. and CDCH Charter School. Michael Whelan joined SUS as Chief Financial Officer in April 2016.

Continuing Disclosure.

As described in this paragraph, during the past five years, SUS and SUS-DD have 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 with respect to each of its fiscal years ended June 30, 2011, June 30, 2013 and June 30, 2015 due to unlinked CUSIP numbers; (ii) not filing notices of its failure to timely file audited financial statements for years ended June 30, 2013 and June 30, 2015 due to unlinked CUSIP numbers; (iii) failure to file its Annual Information with respect to its fiscal years ended June 30, 2011 and June 30, 2015 due to unlinked CUSIP numbers; (iv) not filing notices of its failure to timely file Annual Information for years ended June 30, 2011 and June 30, 2015; and (v) failure to link to all applicable CUSIP numbers its audited financial statements and Annual Information for its fiscal year ending June 30, 2015. SUS and SUS-DD have adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure undertakings in the future.

UNIQUE PEOPLE SERVICES, INC.

General Operations. Unique People Services, Inc. ("Unique") was founded in 1991. Unique's mission is to serve, holistically and without judgment, those who may have been denied compassionate and considerate treatment elsewhere due to their race, religion, gender, sexual orientation, developmental level, health status or criminal or substance use history. Unique currently operates 31 supportive housing programs in the Bronx, Manhattan, Brooklyn, Queens and Westchester County, New York. Each year, Unique provides housing to more than 700 persons within its various residences. Residents receive meals and other support services that include case management and treatment focused on achieving the highest possible level of independent living. Unique offers both transitional and permanent housing for formerly homeless persons with HIV/AIDS, long-term and permanent housing for formerly homeless persons with a mental illness, and permanent housing for adults with developmental disabilities. Unique 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 Unique are prepared on a consolidated basis among Unique and its affiliates. Unless otherwise indicated, the financial information contained in this Appendix includes Unique and its affiliates, notwithstanding that the Series 2016 Participant is only Unique. The affiliates of Unique will not have any obligations to make payments under the Loan Agreement.

Unique's funding sources for its 2015 Fiscal Year were: OPWDD (approximately 36%), OMH (approximately 25%), HIV/AIDS Services Administration (approximately 31%) and the New York City Human Resources Administration (approximately 8%).

Description of Facilities and Financing Plan. DASNY will lend Unique $3,145,000 from the proceeds of the Series 2016 Bonds ("Unique's Allocable Portion"). Such amount will be used for legal fees, capitalized interest, costs of issuance, debt service reserve requirements and to finance or refinance debt incurred in connection with projects at the following facilities (the "Facilities"):

- 774 Sheridan Avenue, Brooklyn, New York ("Sheridan Avenue") - to finance the acquisition and rehabilitation of apartments 1 and 2 within a 2,550 square-foot, 2-story building to be used as a residence for six developmentally disabled adults.

- 153-32 112th Avenue, Jamaica, New York ("112th Avenue") - to finance the acquisition and rehabilitation of a 920 square-foot, 1-story building to be used as a residence for three developmentally disabled adults.

- 1770 LaCombe Avenue, Bronx, New York ("LaCombe Avenue") - to finance the acquisition and rehabilitation of a 2,760 square-foot, 2-story building to be used as a residence for six developmentally disabled adults.

The governmental funding source for the Facilities is OPWDD and the Facilities are supported by PPAs, which Unique 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 2016 PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities - PPA Regulatory Compliance Process" for further information concerning New PPA Lien Projects.

Unique has received Certificates of Occupancy for all of the Facilities. Unique has not yet received Operating Certificates for any of the Facilities. See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS - Completion of the Projects; Zoning; Certificate of Occupancy."

Unique owns all of the Facilities. Unique will grant DASNY mortgages on the real property with respect to 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. Unique also owns 6 other properties and leases 386 other residential and day program properties in the Boroughs of New York City and Westchester County.

Employees. Unique employs 172 full-time and 17 part-time employees. Unique 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 Unique, the Actual Debt Service Coverage Ratio of Unique for Fiscal Year 2015 and the Pro Forma Debt Service Coverage Ratio (which includes Unique's Allocable Portion of the Series 2016 Bonds) are as follows:

	2015 Actual	**2015 Pro Forma**
Revenues	$20,244,318	$20,244,318
Expenses	19,995,462	19,995,462
Net Income (after adj.)	248,856	248,856
Less Extraordinary Revenue Items	(37,284)	(37,284)
Plus Extraordinary Expense Items		0
Plus Depreciation and Amortization	547,200	547,200
Plus Current Interest Expense	370,900	370,900
New PPA Revenues (unaudited)		196,037
Cash Flow for Debt Service	1,129,672	1,325,709
Maximum Annual Debt Service* (unaudited)	1,034,101	1,230,138
Debt Service Coverage Ratio (DSCR)**	1.092	1.078

*Note: MADS adjusted per 2015 Audit Note 6 to reduce MADS by CSH loan that was refinanced on November 25, 2015.

**Calculated in accordance with the definition set forth in the Loan Agreement between DASNY and Unique, the Pro Forma Debt Service Coverage Ratio (which includes Unique's Allocable Portion of the Series 2016 Bonds) based upon Unique's unaudited financial statements as of June 30, 2016 is 1.00.

Financials. Audited financial statements for Unique and its affiliates for the fiscal years ended June 30, 2013, June 30, 2014 and June 30, 2015 were prepared by Marks Paneth, LLP and are attached as Appendix B-VI. Interim unaudited financial information for Unique and its affiliates prepared by Unique's Management covering the period from July 1, 2015 through July 31, 2016 is attached as Appendix C-VI. Significant accounting policies are contained in the audited financial statements, as well as Consolidating Statements for Unique 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 Unique and its affiliates for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Unique's Management and derived from Unique'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.

Fiscal Year Ended June 30,

	2011	**2012**	**2013**	**2014**	**2015**
Current Assets	$7,638,060	$6,295,326	$7,334,554	$7,065,141	$8,154,224
Net Fixed Assets	8,698,214	8,223,527	8,737,146	8,451,637	8,133,405
Other	518,115	531,101	559,646	596,502	721,111
Total	16,854,389	15,049,954	16,631,346	16,113,280	17,008,740
Current Liabilities	2,517,667	1,061,570	2,101,895	1,744,830	2,829,770
Other Liabilities	8,764,985	8,233,027	9,028,446	8,769,840	8,368,788
Net Assets	5,571,737	5,755,357	5,501,005	5,598,610	5,810,182
Total	16,854,389	15,049,954	16,631,346	16,113,280	17,008,740
Operating Revenue:					
Program Revenue	19,685,333	19,685,534	19,875,443	20,611,450	19,821,107
Nonprogram Revenue	144,983	226,878	196,340	320,874	330,711
Total	19,830,316	19,912,412	20,071,783	20,932,324	20,244,318
Operating Expenses	20,332,505	19,728,792	19,926,518	20,725,571	19,995,462
Change in Net Assets	(502,189)	183,620	145,265	206,753	248,856
Net Assets, Beginning of Year	6,073,926	5,571,737	5,755,357	5,501,005	5,598,610
Prior Period Adjustment	0	0	(399,617)	(109,148)	(37,284)
Net Assets, End of Year	5,571,737	5,755,357	5,501,005	5,598,610	5,810,182
Cash & Equivalents	4,418,068	2,738,361	4,255,683	5,674,881	5,674,881

Management Discussion of Results of Operations.

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

(2) Sources of Liquidity: (a) Internal – Unique had current assets of $10,285,277 and $8,154,224 at the end of fiscal years 2016 and 2015, respectively. (b) External – None.

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

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund-raising, and interest for fiscal years 2016 and 2015 were $355,173 and $169,796, respectively. See Appendix C-VI for interim unaudited financial information through June 30, 2016.

(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 Unique's total operations have not materially increased or decreased in recent years.

Liquidity and Capital Resources. As of June 30, 2016 and June 30, 2015, Unique had $5,618,694 and $5,674,881 in unrestricted cash and cash equivalents and $3,993,866 and $1,921,322 in net accounts receivable, respectively.

Long-Term Debt. As of June 30, 2016 and June 30, 2015, Unique had $7,1004,204 and $6,777,224, respectively, in outstanding long-term indebtedness including mortgages and bonds payable, some of which debt is secured by a security interest in Unique's Public Funds. See Note 6 of Unique's Audited Financial Statement for fiscal year ending June 30, 2015 under the title of "Notes and Mortgages Payable." Unique has not incurred any long-term debt subsequent to June 30, 2016.

Prior Pledges. Of Unique's total outstanding long-term debt as of June 30, 2016 and June 30, 2015, $7,100,204 and $6,777,224 is secured by a security interest in certain receivables of and real properties owned by Unique, which may include Unique's Public Funds, and thus constitutes a Prior Pledge as to such funds. Unique's Prior Pledges as of October 31, 2016 amount to $7,100,204.

Contingencies; Pending or Potential Litigation. In the opinion of 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 Unique 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 materially adversely affect the ability of Unique to carry out the transactions contemplated in the Loan Agreement, the Mortgage and the Intercept Agreement.

Management.

Directors and Officers: The affairs of Unique are governed by a Board of Directors of ten members. The officers are comprised of: Crystal Ward, Chairman, Jean Jeremie, Vice Chairman, Tara Gardner, Treasurer and J. Paul Gregory, Secretary. Other members of the Board are: Clinton Myke, Jr., Marjorie Parker, John Zeltin and Desiree Thomas. 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: Yvette Brissett-Andre is the Executive Director and Chief Executive Officer of Unique. She holds a Master's degree in Public Administration from CUNY/Baruch and a Bachelor's of Science from SUNY/Plattsburgh. Her expertise includes over 20 years of experience in the areas of finance and budgeting, program development, contract negotiation, low-income housing development and proposal writing. Unique has several other key employees including Cheryelle Cruickshank, Associate Executive Director and Rosemarie Gooden, Chief Financial Officer.

Continuing Disclosure.

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

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF SERIES 2016 PARTICIPANTS

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APPENDIX B-I

DEVELOPMENTAL DISABILITIES INSTITUTE, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2015, DECEMBER 31, 2014 AND DECEMBER 31, 2013)

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Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information

Year Ended December 31, 2015

Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information
Year Ended December 31, 2015

Contents

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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 "Institute and Affiliate"), which comprise the combined statement of financial position as of December 31, 2015, 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, 2015, 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 Institute and Affiliate's 2014 combined financial statements and our report, dated May 28, 2015, 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, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 20, 2016

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Financial Position
(with comparative totals for 2014)

December 31,	**2015**	2014
Assets		
Current:		
Cash and cash equivalents (Note 3)	**$15,000,115**	$10,402,612
Assets limited as to use, current portion (Note 3)	**3,732,331**	3,752,520
Investments, at fair value (Notes 3 and 4)	**4,996**	4,996
Accounts receivable, net of allowance for doubtful accounts of $441,134 and $375,045 for 2015 and 2014, respectively (Note 3)	**14,160,941**	16,131,405
Government and other grants receivable (Note 3)	**831,894**	934,962
Current portion of contributions and pledges receivable, net (Notes 3 and 5)	**83,529**	139,908
Prepaid expenses and other assets	**1,359,096**	1,258,735
Total Current Assets	**35,172,902**	32,625,138
Deferred Costs, Net (Note 3)	**794,652**	873,672
Assets Limited as to Use, Less Current Portion (Note 4)	**4,696,140**	4,640,093
Contributions and Pledges Receivable, Net, Less Current Portion (Notes 3 and 5)	**108,714**	71,141
Fixed Assets, Net (Notes 3, 6, 12 and 13)	**28,059,733**	27,477,574
	$68,832,141	$65,687,618
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 3,311,499**	$ 2,310,086
Accrued interest payable (Note 13)	**132,657**	129,677
Accrued payroll and related benefits	**6,010,195**	5,879,122
Accrued pension payable (Note 7)	**816,729**	897,777
Deferred revenue, current portion (Note 3)	**2,023,502**	1,804,318
Capital lease obligations, current portion (Note 10)	**607,378**	500,002
Mortgages and loans payable, current portion (Note 12)	**257,668**	244,387
Bonds payable, current portion (Note 13)	**1,890,000**	1,785,000
Due to governmental agencies, current portion (Notes 3 and 9)	**918,521**	1,547,860
Total Current Liabilities	**15,968,149**	15,098,229
Deferred Revenue, Less Current Portion (Note 3)	**1,706,503**	1,548,538
Capital Lease Obligations, Less Current Maturities (Note 10)	**764,417**	826,996
Mortgages and Loans Payable, Less Current Maturities (Note 12)	**2,120,551**	2,376,405
Bonds Payable, Less Current Maturities (Note 13)	**21,311,958**	23,201,958
Due to Governmental Agencies, Less Current Portion (Notes 3 and 9)	**5,519,732**	3,489,078
Total Liabilities	**47,391,310**	46,541,204
Commitments and Contingencies (Notes 3, 6, 8, 9, 10, 11, 12, 13, 14 and 15)		
Net Assets:		
Unrestricted net assets (Note 3)	**20,704,388**	18,218,769
Temporarily restricted net assets (Notes 3, 16 and 17)	**736,443**	927,645
Total Net Assets	**21,440,831**	19,146,414
	$68,832,141	$65,687,618

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Activities
(with comparative totals for 2014)

Year ended December 31,

	Unrestricted	Temporarily Restricted	Total 2015	Total 2014
Program Revenues:				
Fees for services	$90,897,280	$ -	**$90,897,280**	$85,125,406
Government and other grants	1,322,400	-	**1,322,400**	1,442,514
Clinic revenue	4,880,236	-	**4,880,236**	4,780,926
Other program revenues	1,748,095	-	**1,748,095**	1,515,040
Net assets released from restrictions (Note 16)	25,660	(25,660)	**-**	-
Total Program Revenues	98,873,671	(25,660)	**98,848,011**	92,863,886
Expenses:				
Program services:				
Education services	32,167,330	-	**32,167,330**	29,682,713
Clinic services	5,413,192	-	**5,413,192**	5,192,637
Adult day services	16,389,994	-	**16,389,994**	15,648,495
Children's residential services	10,550,947	-	**10,550,947**	7,934,228
Adult residential services	27,366,414	-	**27,366,414**	25,811,303
Other programs	64,642	-	**64,642**	5,136
Total Program Services	91,952,519	-	**91,952,519**	84,274,512
Supporting services:				
Management and general	5,879,833	-	**5,879,833**	5,793,961
Fundraising	184,604	-	**184,604**	171,150
Total Supporting Services	6,064,437	-	**6,064,437**	5,965,111
Total Expenses	98,016,956	-	**98,016,956**	90,239,623
Change in Net Assets Before Nonoperating Revenues and Expenses	856,715	(25,660)	**831,055**	2,624,263
Nonoperating Revenues and Expenses:				
Capital campaign income	-	100,532	**100,532**	67,935
Capital campaign expenses	-	(317,288)	**(317,288)**	(298,489)
Net Expenses From Capital Campaign	-	(216,756)	**(216,756)**	(230,554)
Special events revenues	394,326	-	**394,326**	398,815
Direct cost to donors	(113,751)	-	**(113,751)**	(127,729)
Net Revenues From Special Events	280,575	-	**280,575**	271,086
Contributions	55,887	51,214	**107,101**	50,733
Gain on sale of fixed assets	78,054	-	**78,054**	40,014
Unrealized losses on investments	-	-	**-**	(109)
Interest income	42,827	-	**42,827**	39,888
Other income	97,226	-	**97,226**	106,641
Prior period income (Note 3(l))	1,074,335	-	**1,074,335**	1,728,904
Total Nonoperating Revenues and Expenses	1,628,904	(165,542)	**1,463,362**	2,006,603
Change in Net Assets	2,485,619	(191,202)	**2,294,417**	4,630,866
Net Assets, Beginning of Year	18,218,769	927,645	**19,146,414**	14,515,548
Net Assets, End of Year	**$20,704,388**	**$736,443**	**$21,440,831**	$19,146,414

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Functional Expenses
(with comparative totals for 2014)

Year ended December 31,

	Program Services							Supporting Services			Total	
	Education Services	Clinic Services	Adult Day Services	Children's Residential Services	Adult Residential Services	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2015**	2014
Salaries and Related Expenses:												
Salaries	$20,951,171	$3,102,197	$ 9,162,847	$ 5,866,283	$16,459,215	$42,914	$55,584,627	$3,399,889	$ 94,303	$3,494,192	**$59,078,819**	$55,557,155
Payroll taxes and employee benefits	7,421,271	867,335	3,565,905	2,009,967	5,997,457	15,681	19,877,616	992,746	31,473	1,024,219	**20,901,835**	17,642,337
Total Salaries and Related Expenses	28,372,442	3,969,532	12,728,752	7,876,250	22,456,672	58,595	75,462,243	4,392,635	125,776	4,518,411	**79,980,654**	73,199,492
Other Expenses:												
Fee-for-services professionals	82,712	252,926	26,982	27,646	123,569	-	513,835	133,038	-	133,038	**646,873**	592,312
Building occupancy	479,576	229,604	831,624	22	11,488	-	1,552,314	19,177	-	19,177	**1,571,491**	1,567,432
Telephone	169,068	42,333	152,705	46,791	140,828	48	551,773	34,660	1,769	36,429	**588,202**	530,349
Travel	9,473	1,596	48,244	4,203	29,874	165	93,555	16,096	1,286	17,382	**110,937**	104,660
Supplies	546,469	126,433	193,740	317,620	595,893	123	1,780,278	17,602	698	18,300	**1,798,578**	1,867,896
Food	4,543	9	29,655	322,851	780,810	-	1,137,868	558	-	558	**1,138,426**	1,065,641
Office expense	210,379	102,511	121,756	58,905	84,704	272	578,527	325,882	20,950	346,832	**925,359**	799,904
Dues and subscriptions	17,436	3,694	3,811	1,968	4,452	999	32,360	40,989	2,412	43,401	**75,761**	68,961
Postage	11,857	3,059	1,849	1,413	866	-	19,044	52,506	532	53,038	**72,082**	64,497
Meetings and conferences	21,727	627	19,735	7,693	10,171	506	60,459	16,202	1,989	18,191	**78,650**	77,865
Employee training and recruitment	157,971	3,869	86,243	51,919	129,593	-	429,595	35,693	40	35,733	**465,328**	397,049
Legal and accounting	1,869	874	-	48,444	4,650	-	55,837	238,620	-	238,620	**294,457**	302,710
Utilities	315,339	64,224	183,099	116,006	322,005	-	1,000,673	37,481	509	37,990	**1,038,663**	1,181,204
Repairs and maintenance	459,031	91,653	290,646	181,006	302,967	1,171	1,326,474	29,571	9,789	39,360	**1,365,834**	1,032,661
Equipment and furniture	264,890	7,727	29,786	31,193	28,182	2,611	364,389	24,331	11,401	35,732	**400,121**	319,580
Interest	225,707	136,848	166,163	217,054	357,010	-	1,102,782	45,003	56	45,059	**1,147,841**	990,757
Insurance	298,327	77,098	367,453	133,818	412,101	152	1,288,949	47,544	366	47,910	**1,336,859**	1,319,734
Medicaid assessment taxes	-	-	-	624,670	200,813	-	825,483	-	-	-	**825,483**	693,279
Amortization of debt issuance costs	16,176	12,140	10,408	8,587	23,278	-	70,589	-	-	-	**70,589**	189,836
Debt-related expenses	-	-	-	-	-	-	-	13,807	-	13,807	**13,807**	13,831
Vehicle expense	48,519	1,827	521,593	40,828	286,776	-	899,543	5,769	63	5,832	**905,375**	1,213,204
Bad debt expense	-	121,741	-	-	-	-	121,741	-	6,559	6,559	**128,300**	21,404
Total Expenses Before Depreciation and Amortization	31,713,511	5,250,325	15,814,244	10,118,887	26,306,702	64,642	89,268,311	5,527,164	184,195	5,711,359	**94,979,670**	87,614,258
Depreciation and Amortization	453,819	162,867	575,750	432,060	1,059,712	-	2,684,208	352,669	409	353,078	**3,037,286**	2,625,365
Total Expenses	**$32,167,330**	**$5,413,192**	**$16,389,994**	**$10,550,947**	**$27,366,414**	**$64,642**	**$91,952,519**	**$5,879,833**	**$184,604**	**$6,064,437**	**$98,016,956**	$90,239,623

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Cash Flows
(with comparative totals for 2014)

Year ended December 31,	**2015**	2014
Cash Flows From Operating Activities:		
Change in net assets	**$ 2,294,417**	$ 4,630,866
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**3,037,286**	2,625,365
Amortization of debt issuance costs	**70,589**	189,836
Gain on sale of fixed assets	**(78,054)**	(40,014)
Provision for bad debt	**128,300**	21,404
Discount on pledges receivables	**3,989**	2,623
Unrealized loss (gain) on investments	**-**	109
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**1,842,164**	(3,434,496)
Government and other grants receivable	**103,068**	79,406
Contributions and pledges receivable	**14,817**	12,878
Prepaid expenses and other assets	**(100,361)**	(128,417)
Debt issuance costs	**8,431**	73,804
Increase (decrease) in:		
Accounts payable and accrued expenses	**1,001,413**	(99,688)
Accrued interest payable	**2,980**	931
Accrued payroll and related benefits	**131,073**	(110,878)
Accrued pension payable	**(81,048)**	(17,318)
Deferred revenue	**377,149**	299,126
Due to governmental agencies	**1,401,315**	(49,142)
Net Cash Provided By Operating Activities	**10,157,528**	4,056,395
Cash Flows From Investing Activities:		
Purchases of fixed assets	**(2,915,888)**	(5,087,501)
Proceeds from sale of fixed assets	**129,165**	53,789
Cash - restricted	**20,189**	575,305
Assets limited to use	**(56,047)**	4,220,927
Proceeds from sale of investments	**-**	22,913
Net Cash Used In Investing Activities	**(2,822,581)**	(214,567)
Cash Flows From Financing Activities:		
Payments on line of credit	**-**	(384,000)
Repayments on capital lease obligations	**(709,871)**	(619,705)
Proceeds from mortgages and loans payable	**-**	1,150,000
Principal payments on mortgages and loans payable	**(242,573)**	(229,734)
Principal payments on bonds payable	**(1,785,000)**	(1,788,000)
Net Cash Used In Financing Activities	**(2,737,444)**	(1,871,439)
Net Increase in Cash and Cash Equivalents	**4,597,503**	1,970,389
Cash and Cash Equivalents, Beginning of Year	**10,402,612**	8,432,223
Cash and Cash Equivalents, End of Year	**$15,000,115**	$10,402,612
Supplemental Cash Flow Information:		
Cash paid for interest	**$ 1,147,841**	$ 990,756
Noncash transaction related to capital leases	**754,668**	735,501

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 "Institute") and DDI Foundation, Inc. (the "Foundation") (collectively, the "Institute 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 Institute 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 Institute also operates 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 Institute 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 Institute 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, 2015.

(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 Institute. The Foundation maintains certain common board members with the Institute. 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, 2015.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

The combined financial statements of the Institute 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 Institute'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 the Institute is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Institute.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Institute is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Institute 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 Institute 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

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 Institute 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, 2015, the total allowance for doubtful accounts is $441,134.

(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 Institute 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 Institute 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 Institute 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, 2015. Management believes that the Institute and Affiliate are no longer subject to income tax examinations for years prior to 2012.

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 Institute 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 Institute and Affiliate have filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, the Institute 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, 2015, 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 Institute 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, 2015, 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, 2015, the Institute and Affiliate used a discount rate of 3%.

Contributions receivable consist of $172,306 for the capital campaign and $19,937 for pledges receivable at December 31, 2015.

The capital campaign represents funds donated to the Institute and Affiliate for the purpose of renovations of the Little Plains School located in Huntington, New York and expenses related to the capital campaign.

(k) Deferred Costs

Deferred costs consist of debt issuance costs and deferred start-up costs. Debt issuance costs are deferred and amortized using the straight-line method over the term of the related debt. Deferred start-up costs are amortized using the straight-line method over a five-year term in accordance with the reimbursement period of the costs to acquire those assets. As of December 31, 2015, the total accumulated amortization for debt issuance costs and deferred costs is $1,550,878.

(l) Third-party Reimbursements and Revenue Recognition

The Institute 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.

(m) 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.

(n) Concentration of Credit Risk

Financial instruments which potentially subject the Institute and Affiliate to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Institute and Affiliate have cash deposits at financial institutions, which exceed the Federal Depository Insurance Corporation insurance limits.

(o) 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.

(p) 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 Institute and Affiliate's combined financial statements for the year ended December 31, 2014, from which the summarized information was derived in total but not by net asset class.

(q) Recently Adopted Accounting Pronouncements

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.

(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

The cost and respective fair values of investments at December 31, 2015 are as follows:

December 31, 2015

	Cost	Fair Value
Institute and Affiliate:		
Common stock	$ 4,996	$ 4,996
Federated Treasury Obligations Fund	3,743,755	3,743,755
Debt service reserve fund - money market fund	952,385	952,385
Total	$4,701,136	$4,701,136

The Institute and Affiliate'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 Institute and Affiliate's policies regarding this hierarchy. A description of the valuation techniques applied to the Institute and Affiliate's major categories of assets measured at fair value is below.

The Institute and Affiliate have investments in common stock, treasury obligation and money market funds. The Institute and Affiliate's custodian prices these investments using nationally recognized pricing services. The Institute and Affiliate'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 Institute and Affiliate's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2015. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Institute 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, 2015
Common stock	$ 4,996	$-	$-	$ 4,996
2005 A-B Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	126,939	-	-	126,939
2006 A-B Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	72,881	-	-	72,881
2012 AA-AF Local Development Corp. Revenue Bond	3,106,601	-	-	3,106,601
2012 BA-BE County Economic Development Corp. Revenue Bond	437,034	-	-	437,034
Facilities Development Corporation ("FDC") mortgages payable - debt service reserve fund	952,385	-	-	952,385
2004 A-C Civic Facility Revenue Bonds: Federal Treasury Obligations Fund	300	-	-	300
	$4,701,136	$-	$-	$4,701,136

5. Contributions and Pledges Receivable, Net

At December 31, 2015, the net present value of contributions and pledges receivable is $192,243. The net present value of pledges receivable was calculated using a discount rate of 3%.

Net present value of pledges receivable at December 31, 2015 is summarized below:

December 31, 2015	
Total contributions and pledges receivable	$196,232
Discount	(3,989)
Net present value of contributions receivable	$192,243
Amount due in:	
One year	$ 83,529
Two to five years	112,703
	$196,232

6. Fixed Assets, Net

Fixed assets, net, including equipment under capital leases, consists of the following:

December 31, 2015	
Land	$ 5,823,644
Buildings and building improvements	41,253,949
Furniture, fixtures and office equipment	8,618,856
Vehicles under capital lease obligations	4,822,961
Machinery and equipment	215,929
IT equipment	945,533
Leasehold improvements	1,997,651
	63,678,523
Less: Accumulated depreciation and amortization	(36,935,264)
Construction-in-progress	1,316,474
	$ 28,059,733

The estimated cost to complete the construction-in-progress is approximately $756,000.

7. Pension Plans

(a) 403(b) Tax Deferred Annuity Plan

The Institute is the sponsor of a 403(b) tax deferred annuity plan that covers all Institute and Affiliate employees meeting eligibility requirements. Employee contributions are immediately vested. The Institute 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, 2015 was $816,729. In 2015, employer contributions of $897,777 were made.

(b) Frozen Plan

The Institute 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.

8. Workers' Compensation Reserve

DDI 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. DDI received an assessment based on this review for fiscal years 2006-2011. Former CRISP members retained counsel and negotiated an MOU with the WCB. The terms of the MOU called for DDI to pay a monthly amount of $28,102. On the advice of counsel, DDI, and other former CRISP members involved with the MOU, stopped making these monthly payments. The WCB has offered a settlement agreement which is currently being negotiated upon by counsel. DDI's exact liability cannot be determined at this time. As such, provision for the amount of the full liability has not been recorded in the accompanying combined financial statements.

9. Due to Governmental Agencies

Due to governmental agencies consists of the following:

December 31, 2015	
Advances by funding sources to be recouped in future years	$6,438,253

10. Capital Lease Obligations

Capital lease obligations consisted of the following:

December 31, 2015	
The Institute financed the cost of vehicles with notes payable in various monthly installments through 2019. The interest rates on these leases range from 5.25% to 7.27%.	$1,371,795
Less: Current maturities	(607,378)
	$ 764,417

Future minimum principal payments and the present value of net minimum principal payments are as follows:

December 31,	
2016	$ 669,291
2017	478,048
2018	312,531
2019	15,632
Total minimum lease payments	1,475,502
Less: Interest	(103,707)
Present value of net minimum lease payments	$1,371,795

11. Line of Credit

The Institute has a revolving line of credit with a bank of up to $9,000,000 and expires on August 31, 2016. Interest is charged at 3.75% per annum. There were no amounts outstanding at December 31, 2015. 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, 2015	
Mortgage payable to Facilities Development Corporation ("FDC"), due August 2017, payable in semi-annual debt service payments ranging from $24,430 to $24,837, including interest at 7.95% per annum; secured by real estate located in Plainview, New York.	$ 74,450
Mortgage payable to FDC, due August 2018, payable in semi-annual debt service payments ranging from $22,544 to $22,880, including interest at 6.76% per annum; secured by real estate located in Greenlawn, New York.	48,575
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.	88,864
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.	2,166,330
	2,378,219
Less: Current maturities	(257,668)
	$2,120,551

Mortgages and loans payable mature as follows:

December 31,	
2016	$ 257,668
2017	213,125
2018	186,670
2019	195,742
2020	193,644
Thereafter	1,331,370
	$2,378,219

13. Bonds Payable

(a) On December 1, 2004, the Institute 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, 2015, $60,000 remains outstanding:

(b) On January 21, 2005 the Institute 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, 2015, $55,000 remains outstanding.

(c) On October 1, 2005, the Institute 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, 2015, $455,000 remains outstanding.

(d) On September 26, 2006, the Institute 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, 2015, $1,715,000 remains outstanding.

(e) On August 29, 2012, the Institute 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, 2015, $16,524,476 remains outstanding.

On August 29, 2012, the Institute 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, 2015, $4,392,482 remains outstanding.

The aggregate principal maturities for the years ending December 31 are as follows:

December 31,	
2016	$1,890,000
2017	1,940,000
2018	2,010,000
2019	2,060,000
2020	2,135,000
Thereafter	13,166,958
	$23,201,958

All bonds are secured by the related properties.

Interest expense related to the bonds for the year ended December 31, 2015 was $930,150.

14. Operating Leases

Pursuant to several lease agreements, the Institute and Affiliate are obligated for minimum annual rentals payable to nonrelated entities, as indicated below. The Institute is obligated for certain operating costs at these sites. The future minimum commitments to all nonrelated parties are as follows:

December 31,	
2016	$1,379,576
2017	1,303,605
2018	936,195
2019	452,602
2020	345,322
Thereafter	731,195
Total minimum lease payments	$5,148,495

Total rental expense under noncancellable operating leases amounted to $1,403,292 for the year ended December 31, 2015.

15. Commitments and Contingencies

(a) In conjunction with the operation of its Diagnostic and Treatment Centers, the Institute maintains occurrence-basis malpractice insurance policies for certain qualified providers. Non-qualified providers are required to maintain their own malpractice coverage. Management is not aware of any outstanding individual or aggregate malpractice claims that could potentially exceed the existing coverage limitations.

(b) For the year ended December 31, 2015, revenues from Medicare and Medicaid programs accounted for a significant portion of the Institute's revenues. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Institute 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 Institute would be subject to regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

(c) Additionally, the Institute 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 Institute's financial position.

(d) On July 15, 2015, the Institute entered into an irrevocable letter of credit amounting to $2,816,837 from a bank which matures on August 1, 2016. The letter of credit was issued in conjunction with the Institute's workers' compensation policy. There were no outstanding borrowings at December 31, 2015.

16. Net Assets Released From Restrictions

During 2015, temporarily restricted net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose are as follows:

Program designated	$ 25,660
Capital Campaign	317,288
	$342,948

17. Temporarily Restricted Net Assets

Donor restricted contributions held for specific purposes are as follows:

December 31, 2015	
Program designated	$103,970
Memorial	44,220
Capital campaign	588,253
	$736,443

18. Subsequent Events

It is the intention of the Institute to surrender the license for its Diagnostic and Treatment Center ("OPTI Healthcare") during 2016. OPTI Healthcare will be transitioned over to another unrelated entity which will continue to provide services as a Federally Qualified Healthcare Center. The Institute will lease space to this entity and have a tenant-landlord relationship.

The Institute and Affiliate's management has performed subsequent events procedures through May 20, 2016, which is the date the combined financial statements were available to be issued and there were no subsequent events, other than those mentioned above, requiring adjustment to the combined financial statements or disclosures as stated herein.

Independent Auditor's Report on Supplementary Information

Our audit of the combined financial statements included in the preceding section of this report 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.

BDO USA, LLP

New York, New York

May 20, 2016

Supplementary Information

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2014)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2015	Combined Total 2014
Assets					
Current:					
Cash and cash equivalents	$14,555,228	$ 444,887	$ -	**$15,000,115**	$10,402,612
Assets limited as to use, current portion	3,213,816	518,515	-	**3,732,331**	3,752,520
Investments, at fair value	-	4,996	-	**4,996**	4,996
Accounts receivable, net	14,160,941	-	-	**14,160,941**	16,131,405
Government and other grants receivable	831,894	-	-	**831,894**	934,962
Current portion of contributions and pledges receivable	-	83,529	-	**83,529**	139,908
Prepaid expenses and other assets	1,353,699	5,397	-	**1,359,096**	1,258,735
Total Current Assets	34,115,578	1,057,324	-	**35,172,902**	32,625,138
Due From Affiliates	10,517	-	(10,517)	**-**	-
Deferred Costs, Net	794,652	-	-	**794,652**	873,672
Assets Limited as to Use, Less Current Portion	4,696,140	-	-	**4,696,140**	4,640,093
Contributions and Pledges Receivable, Net, Less Current Portion	-	108,714	-	**108,714**	71,141
Fixed Assets, Net	28,059,733	-	-	**28,059,733**	27,477,574
	$67,676,620	**$1,166,038**	**$(10,517)**	**$68,832,141**	$65,687,618

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2014)

December 31,	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2015	Combined Total 2014
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 3,305,899	$ 5,600	$ -	**$ 3,311,499**	$ 2,310,086
Accrued interest payable	132,657	-	-	**132,657**	129,677
Accrued payroll and related benefits	6,010,195	-	-	**6,010,195**	5,879,122
Accrued pension payable	816,729	-	-	**816,729**	897,777
Due to affiliates	-	10,517	(10,517)	**-**	-
Deferred revenue, current portion	2,023,502	-	-	**2,023,502**	1,804,318
Capital lease obligations, current portion	607,378	-	-	**607,378**	500,002
Mortgages and loans payable, current portion	257,668	-	-	**257,668**	244,387
Bonds payable, current portion	1,890,000	-	-	**1,890,000**	1,785,000
Due to governmental agencies, current portion	918,521	-	-	**918,521**	1,547,860
Total Current Liabilities	15,962,549	16,117	(10,517)	**15,968,149**	15,098,229
Deferred Revenue, Less Current Portion	1,706,503	-	-	**1,706,503**	1,548,538
Capital Lease Obligations, Less Current Maturities	764,417	-	-	**764,417**	826,996
Mortgages and Loans Payable, Less Current Maturities	2,120,551	-	-	**2,120,551**	2,376,405
Bonds Payable, Less Current Maturities	21,311,958	-	-	**21,311,958**	23,201,958
Due to Governmental Agencies, Less Current Portion	5,519,732	-	-	**5,519,732**	3,489,078
Total Liabilities	47,385,710	16,117	(10,517)	**47,391,310**	46,541,204
Net Assets:					
Unrestricted net assets	20,290,910	413,478	-	**20,704,388**	18,218,769
Temporarily restricted net assets	-	736,443	-	**736,443**	927,645
Total Net Assets	20,290,910	1,149,921	-	**21,440,831**	19,146,414
	$67,676,620	**$1,166,038**	**$(10,517)**	**$68,832,141**	$65,687,618

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Activities
(with comparative totals for 2014)

Year ended December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.			Combined Total	
	Unrestricted	Unrestricted	Temporarily Restricted	Total	**2015**	2014
Program Revenues:						
Fees for services	$90,897,280	$ -	$ -	$ -	**$90,897,280**	$85,125,406
Government and other grants	1,322,400	-	-	-	**1,322,400**	1,442,514
Net patient service revenues	4,880,236	-	-	-	**4,880,236**	4,780,926
Other program revenues	1,748,095	-	-	-	**1,748,095**	1,515,040
Net assets released from restrictions	-	25,660	(25,660)	-	**-**	-
Total Program Revenues	98,848,011	25,660	(25,660)	-	**98,848,011**	92,863,886
Expenses:						
Program services:						
Education services	32,167,330	-	-	-	**32,167,330**	29,682,713
Clinic services	5,413,192	-	-	-	**5,413,192**	5,192,637
Adult day services	16,389,994	-	-	-	**16,389,994**	15,648,495
Children's residential services	10,550,947	-	-	-	**10,550,947**	7,934,228
Adult residential services	27,366,414	-	-	-	**27,366,414**	25,811,303
Other programs	64,642	-	-	-	**64,642**	5,136
Total Program Services	91,952,519	-	-	-	**91,952,519**	84,274,512
Supporting services:						
Management and general	5,879,833	-	-	-	**5,879,833**	5,793,961
Fundraising	-	184,604	-	184,604	**184,604**	171,150
Total Supporting Services	5,879,833	184,604	-	184,604	**6,064,437**	5,965,111
Total Expenses	97,832,352	184,604	-	184,604	**98,016,956**	90,239,623
Change in Net Assets Before Nonoperating Revenues and Expenses	1,015,659	(158,944)	(25,660)	(184,604)	**831,055**	2,624,263
Nonoperating Revenues and Expenses:						
Capital campaign income	-	-	100,532	100,532	**100,532**	67,935
Capital campaign expenses	-	-	(317,288)	(317,288)	**(317,288)**	(298,489)
Net Expenses From Capital Campaign	-	-	(216,756)	(216,756)	**(216,756)**	(230,554)
Special events revenues	-	394,326	-	394,326	**394,326**	398,815
Direct cost to donors	-	(113,751)	-	(113,751)	**(113,751)**	(127,729)
Net Revenues From Special Events	-	280,575	-	280,575	**280,575**	271,086
Contributions	10,000	45,887	51,214	97,101	**107,101**	50,733
Gain on sale of fixed assets	78,054	-	-	-	**78,054**	40,014
Unrealized losses on investments	-	-	-	-	**-**	(109)
Interest income	42,717	110	-	110	**42,827**	39,888
Other income	97,226	-	-	-	**97,226**	106,641
Prior period income	1,073,653	682	-	682	**1,074,335**	1,728,904
Total Nonoperating Revenues and Expenses	1,301,650	327,254	(165,542)	161,712	**1,463,362**	2,006,603
Change in Net Assets	2,317,309	168,310	(191,202)	(22,892)	**2,294,417**	4,630,866
Net Assets, Beginning of Year	17,973,601	245,168	927,645	1,172,813	**19,146,414**	14,515,548
Net Assets, End of Year	**$20,290,910**	**$413,478**	**$736,443**	**$1,149,921**	**$21,440,831**	$19,146,414

Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information
Year Ended December 31, 2014

Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements
and Supplementary Information
Year Ended December 31, 2014

Contents

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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, "DDI"), which comprise the combined statement of financial position as of December 31, 2014, 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, 2014, 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 previously audited DDI's 2013 combined financial statements and our report, dated May 14, 2014, 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, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 28, 2015

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Financial Position
(with comparative totals for 2013)

December 31,	**2014**	2013
Assets		
Current:		
Cash and cash equivalents (Note 3)	**$10,402,612**	$ 8,432,223
Cash - restricted (Note 3)	**3,752,520**	4,327,825
Investments, at fair value (Notes 3 and 4)	**4,996**	28,018
Accounts receivable, net of allowance for doubtful accounts of $375,045 and $382,092 for 2014 and 2013, respectively (Notes 3 and 11)	**16,131,405**	12,718,313
Government and other grants receivable (Note 3)	**934,962**	947,840
Contributions and pledges receivable, net (Notes 3 and 5)	**211,049**	293,078
Prepaid expenses and other assets	**1,258,735**	1,130,318
Total Current Assets	**32,696,279**	27,877,615
Deferred Costs, Net (Note 3)	**873,672**	1,137,312
Assets Limited to Use (Note 4)	**4,640,093**	8,861,020
Fixed Assets, Net (Notes 3, 6, 12 and 13)	**27,477,574**	24,293,712
	$65,687,618	$62,169,659
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 2,310,086**	$ 2,409,774
Accrued interest payable (Note 13)	**129,677**	128,746
Accrued payroll and related benefits	**5,879,122**	5,990,000
Accrued pension payable (Note 7)	**897,777**	915,095
Deferred revenue (Note 3)	**1,804,318**	2,166,327
Capital lease obligations, current portion (Note 10)	**500,002**	528,507
Line of credit (Note 11)	**-**	384,000
Mortgages and loans payable, current portion (Note 12)	**244,387**	177,683
Bonds payable, current portion (Note 13)	**1,785,000**	1,788,000
Due to governmental agencies, current portion (Notes 3 and 9)	**1,547,860**	819,523
Total Current Liabilities	**15,098,229**	15,307,655
Deferred Revenue, Less Current Portion (Note 3)	**1,548,538**	887,403
Capital Lease Obligations, Less Current Maturities (Note 10)	**826,996**	682,695
Mortgages and Loans Payable, Less Current Maturities (Note 12)	**2,376,405**	1,522,843
Bonds Payable, Less Current Maturities (Note 13)	**23,201,958**	24,986,958
Due to Governmental Agencies, Less Current Portion (Notes 3 and 9)	**3,489,078**	4,266,557
Total Liabilities	**46,541,204**	47,654,111
Commitments and Contingencies (Notes 3, 8, 9, 10, 11, 12, 13, 14 and 15)		
Net Assets:		
Unrestricted net assets (Note 3)	**18,218,769**	13,384,560
Temporarily restricted net assets (Notes 3, 16 and 17)	**927,645**	1,130,988
Total Net Assets	**19,146,414**	14,515,548
	$65,687,618	$62,169,659

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Activities
(with comparative totals for 2013)

Year ended December 31,

		Temporarily	Total	
	Unrestricted	Restricted	**2014**	2013
Program Revenues:				
Fees for services	$85,125,406	$ -	**$85,125,406**	$82,461,424
Government and other grants	1,442,514	-	**1,442,514**	970,619
Clinic revenue	4,780,926	-	**4,780,926**	4,820,699
Other program revenues	1,515,040	-	**1,515,040**	1,372,835
Net assets released from restrictions (Note 16)	26,296	(26,296)	**-**	-
Total Program Revenues	92,890,182	(26,296)	**92,863,886**	89,625,577
Expenses:				
Program services:				
Education services	29,682,713	-	**29,682,713**	28,790,045
Clinic services	5,192,637	-	**5,192,637**	5,910,753
Adult day services	15,648,495	-	**15,648,495**	15,433,702
Children's residential services	7,934,228	-	**7,934,228**	6,138,683
Adult residential services	25,811,303	-	**25,811,303**	25,932,619
Other programs	5,136	-	**5,136**	-
Total Program Services	84,274,512	-	**84,274,512**	82,205,802
Supporting services:				
Management and general	5,793,961	-	**5,793,961**	5,797,421
Fundraising	171,150	-	**171,150**	217,617
Total Supporting Services	5,965,111	-	**5,965,111**	6,015,038
Total Expenses	90,239,623	-	**90,239,623**	88,220,840
Change in Net Assets Before Nonoperating Revenues and Expenses	2,650,559	(26,296)	**2,624,263**	1,404,737
Nonoperating Revenues and Expenses:				
Capital campaign income	-	67,935	**67,935**	30,405
Capital campaign expenses	-	(298,489)	**(298,489)**	(34,413)
Net Expenses From Capital Campaign	-	(230,554)	**(230,554)**	(4,008)
Special events revenues	377,683	21,132	**398,815**	359,632
Direct cost to donors	(127,729)	-	**(127,729)**	(139,770)
Net Revenues From Special Events	249,954	21,132	**271,086**	219,862
Contributions	18,358	32,375	**50,733**	94,726
Gain on sale of fixed assets	40,014	-	**40,014**	48,307
Unrealized (losses) gains on investments	(109)	-	**(109)**	1,438
Interest income	39,888	-	**39,888**	50,563
Other income	106,641	-	**106,641**	103,126
Prior period income (expense)	1,728,904	-	**1,728,904**	(1,348,195)
Total Nonoperating Revenues and Expenses	2,183,650	(177,047)	**2,006,603**	(834,181)
Change in Net Assets	4,834,209	(203,343)	**4,630,866**	570,556
Net Assets, Beginning of Year	13,384,560	1,130,988	**14,515,548**	13,944,992
Net Assets, End of Year	**$18,218,769**	**$ 927,645**	**$19,146,414**	$14,515,548

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Functional Expenses
(with comparative totals for 2013)

Year ended December 31,

	Program Services							Supporting Services			Total	
	Education Services	Clinic Services	Adult Day Services	Children's Residential Services	Adult Residential Services	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2014**	2013
Salaries and Related Expenses:												
Salaries	$19,944,514	$3,038,109	$ 8,827,281	$4,595,341	$15,722,121	$2,382	$52,129,748	$3,341,227	$ 86,180	$3,427,407	**$55,557,155**	$53,439,973
Payroll taxes and employee benefits	6,289,329	777,238	3,067,470	1,383,764	5,186,556	748	16,705,105	905,276	31,956	937,232	**17,642,337**	18,811,927
Total Salaries and Related Expenses	26,233,843	3,815,347	11,894,751	5,979,105	20,908,677	3,130	68,834,853	4,246,503	118,136	4,364,639	**73,199,492**	72,251,900
Other Expenses:												
Fee-for-services professionals	46,086	235,219	12,222	10,899	92,995	-	397,421	194,891	-	194,891	**592,312**	463,419
Building occupancy	487,302	223,533	824,949	24	12,257	-	1,548,065	19,367	-	19,367	**1,567,432**	1,533,377
Telephone	155,322	39,702	134,457	36,896	123,861	-	490,238	39,220	891	40,111	**530,349**	485,167
Travel	12,637	1,364	44,623	4,201	29,917	-	92,742	10,832	1,086	11,918	**104,660**	118,263
Supplies	726,917	109,235	180,013	244,571	591,798	-	1,852,534	14,213	1,149	15,362	**1,867,896**	1,570,187
Food	1,393	-	26,337	262,752	774,322	-	1,064,804	837	-	837	**1,065,641**	977,264
Office expense	149,958	125,370	103,019	47,565	62,452	-	488,364	288,514	23,026	311,540	**799,904**	720,508
Dues and subscriptions	15,526	1,868	2,870	2,374	2,283	-	24,921	41,964	2,076	44,040	**68,961**	69,450
Postage	11,716	3,682	2,434	1,023	1,078	-	19,933	44,032	532	44,564	**64,497**	71,458
Meetings and conferences	16,526	3,361	17,654	6,819	9,459	-	53,819	21,754	2,292	24,046	**77,865**	116,696
Employee training and recruitment	123,687	3,147	63,209	82,678	101,081	-	373,802	23,132	115	23,247	**397,049**	260,459
Legal and accounting	11,420	19,805	-	14,268	8,487	2,006	55,986	246,138	586	246,724	**302,710**	301,565
Utilities	364,773	74,102	210,460	110,401	375,577	-	1,135,313	45,299	592	45,891	**1,181,204**	1,117,934
Repairs and maintenance	265,279	85,366	295,768	70,997	283,709	-	1,001,119	25,673	5,869	31,542	**1,032,661**	954,993
Equipment and furniture	173,053	8,808	44,157	34,014	33,752	-	293,784	12,297	13,499	25,796	**319,580**	248,062
Interest	152,269	149,495	153,914	127,948	357,036	-	940,662	50,037	58	50,095	**990,757**	876,184
Insurance	273,956	71,027	366,493	92,499	426,936	-	1,230,911	88,051	772	88,823	**1,319,734**	1,372,264
Medicaid assessment taxes	-	-	-	478,227	215,052	-	693,279	-	-	-	**693,279**	666,902
Amortization of debt issuance costs	41,066	40,026	33,444	12,516	45,130	-	172,182	17,654	-	17,654	**189,836**	222,587
Debt-related expenses	-	-	-	-	-	-	-	13,831	-	13,831	**13,831**	11,457
Vehicle expense	81,955	1,755	694,159	44,625	383,767	-	1,206,261	6,875	68	6,943	**1,213,204**	1,266,790
Bad debt expense	73	7,786	13,545	-	-	-	21,404	-	-	-	**21,404**	7,167
Total Expenses Before Depreciation and Amortization	29,344,757	5,019,998	15,118,478	7,664,402	24,839,626	5,136	81,992,397	5,451,114	170,747	5,621,861	**87,614,258**	85,684,053
Depreciation and Amortization	337,956	172,639	530,017	269,826	971,677	-	2,282,115	342,847	403	343,250	**2,625,365**	2,536,787
Total Expenses	**$29,682,713**	**$5,192,637**	**$15,648,495**	**$7,934,228**	**$25,811,303**	**$5,136**	**$84,274,512**	**$5,793,961**	**$171,150**	**$5,965,111**	**$90,239,623**	$88,220,840

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Cash Flows
(with comparative totals for 2013)

Year ended December 31,	**2014**	2013
Cash Flows From Operating Activities:		
Change in net assets	**$ 4,630,866**	$ 570,556
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**2,625,365**	2,536,787
Amortization of debt issuance costs	**189,836**	222,587
Gain on sale of fixed assets	**(40,014)**	(48,307)
Provision for bad debt	**21,404**	7,167
Donated stock	**-**	(23,033)
Discount on pledges receivables	**2,623**	(4,863)
Unrealized loss (gain) on investments	**109**	(1,438)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(3,434,496)**	408,232
Government and other grants receivable	**79,406**	(451,283)
Contributions and pledges receivable	**12,878**	100,603
Prepaid expenses and other assets	**(128,417)**	160,593
Debt issuance costs	**73,804**	133,364
Increase (decrease) in:		
Accounts payable and accrued expenses	**(99,688)**	153,637
Accrued interest payable	**931**	5,382
Accrued payroll and related benefits	**(110,878)**	2,438,565
Accrued pension payable	**(17,318)**	(71,696)
Deferred revenue	**299,126**	971,964
Due to governmental agencies	**(49,142)**	321,956
Net Cash Provided By Operating Activities	**4,056,395**	7,430,773
Cash Flows From Investing Activities:		
Purchases of fixed assets	**(5,823,002)**	(6,092,812)
Proceeds from sale of fixed assets	**53,789**	55,135
Cash - restricted	**575,305**	(3,128,209)
Assets limited to use	**4,220,927**	8,958,836
Proceeds from sale of investments	**22,913**	-
Net Cash Used In Investing Activities	**(950,068)**	(207,050)
Cash Flows From Financing Activities:		
Proceeds from line of credit	**-**	384,000
Payments on line of credit	**(384,000)**	-
Proceeds from capital lease obligations	**735,501**	-
Repayments on capital lease obligations	**(619,705)**	(573,561)
Proceeds from mortgages and loans payable	**1,150,000**	-
Principal payments on mortgages and loans payable	**(229,734)**	(181,968)
Principal payments on bonds payable	**(1,788,000)**	(9,466,002)
Net Cash Used In Financing Activities	**(1,135,938)**	(9,837,531)
Net Increase (Decrease) in Cash and Cash Equivalents	**1,970,389**	(2,613,808)
Cash and Cash Equivalents, Beginning of Year	**8,432,223**	11,046,031
Cash and Cash Equivalents, End of Year	**$10,402,612**	$ 8,432,223
Supplemental Cash Flow Information:		
Cash paid for interest	**$ 990,756**	$ 876,184
Noncash transaction related to capital leases	**735,501**	784,812

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 "Institute") and DDI Foundation, Inc. (the "Foundation") (collectively, the "Institute 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 Institute 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 Institute also operates 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 Institute 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 Institute 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, 2014.

(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 Institute. The Foundation maintains certain common board members with the Institute. 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, 2014.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

The combined financial statements of the Institute 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 Institute'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 the Institute is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Institute.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Institute is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Institute 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 Institute and Affiliate consider all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(d) Cash-Restricted

Restricted cash consists of cash held in banks for future contributions to the pension plan and future workers compensation claims.

(e) Provision for Doubtful Accounts

The Institute 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, 2014, the total allowance for doubtful accounts is $375,045.

(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 Institute 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 Institute 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 Institute 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, 2014. Management believes that the Institute and Affiliate are no longer subject to income tax examinations for years prior to 2011.

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 Institute 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 Institute and Affiliate have filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, the Institute 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, 2014, 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 Institute 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, 2014, 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, 2014, the Institute and Affiliate used a discount rate of 3%.

Contributions receivable consist of $189,723 for the capital campaign and $21,326 for pledges receivable at December 31, 2014.

The capital campaign represents funds donated to the Institute and Affiliate for the purpose of renovations of the Little Plains School located in Huntington, New York and expenses related to the capital campaign.

(k) Deferred Costs

Deferred costs consist of debt issuance costs and deferred start-up costs. Debt issuance costs are deferred and amortized using the straight-line method over the term of the related debt. Deferred start-up costs are amortized using the straight-line method over a five-year term in accordance with the reimbursement period of the costs to acquire those assets. As of December 31, 2014, the total accumulated amortization for debt issuance costs and deferred costs is $1,374,730 and $97,128, respectively.

(l) Third-party Reimbursements and Revenue Recognition

The Institute 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.

(m) 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.

(n) Concentration of Credit Risk

Financial instruments which potentially subject the Institute and Affiliate to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Institute and Affiliate have cash deposits at financial institutions, which exceed the Federal Depository Insurance Corporation insurance limits.

(o) 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.

(p) 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 Institute and Affiliate's combined financial statements for the year ended December 31, 2013, from which the summarized information was derived in total but not by net asset class.

(q) 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

The cost and respective fair values of investments at December 31, 2014 are as follows:

December 31, 2014

	Cost	Fair Value
Institute and Affiliate:		
Common stock	$ 4,996	$ 4,996
Federated Treasury Obligations Fund	3,688,086	3,688,086
Debt service reserve fund - money market fund	952,007	952,007
Total	$4,645,089	$4,645,089

The Institute and Affiliate'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 Institute and Affiliate's policies regarding this hierarchy. A description of the valuation techniques applied to the Institute and Affiliate's major categories of assets measured at fair value is below.

The Institute and Affiliate have investments in common stock, treasury obligation and money market funds. The Institute and Affiliate's custodian prices these investments using nationally recognized pricing services. The Institute and Affiliate'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 Institute and Affiliate's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2014. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Institute 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, 2014
Common stock	$ 4,996	$-	$-	$ 4,996
2005 A-B Civic Facility Revenue Bonds:				
Federal Treasury Obligations Fund	128,064	-	-	128,064
2006 A-B Civic Facility Revenue Bonds:		-	-	
Federal Treasury Obligations Fund	76,449	-	-	76,449
2012 AA-AF Local Development Corp. Revenue Bond	3,078,425	-	-	3,078,425
2012 BA-BE County Economic Development Corp. Revenue Bond	404,848	-	-	404,848
Facilities Development Corporation ("FDC") mortgages payable – debt service reserve fund	952,007	-	-	952,007
2004 A-C Civic Facility Revenue Bonds:				
Federal Treasury Obligations Fund	300	-	-	300
	$4,645,089	$-	$-	$4,645,089

5. Contributions and Pledges Receivable, Net

At December 31, 2014, the net present value of contributions and pledges receivable is $211,049. The net present value of pledges receivable was calculated using a discount rate of 3%.

Net present value of pledges receivable at December 31, 2014 is summarized below:

December 31, 2014	
Total contributions and pledges receivable	$213,672
Discount	2,623
Net present value of contributions receivable	$211,049
Amount due in:	
One year	$139,908
Two to five years	73,764
	$213,672

6. Fixed Assets, Net

Fixed assets, net, including equipment under capital leases, consists of the following:

December 31, 2014	
Land	$ 5,653,166
Buildings and building improvements	40,135,810
Furniture, fixtures and office equipment	8,327,293
Vehicles under capital lease obligations	4,822,363
Machinery and equipment	215,929
IT equipment	835,526
Leasehold improvements	1,997,651
	61,987,738
Less: Accumulated depreciation and amortization	(34,640,054)
Construction-in-progress	129,890
	$ 27,477,574

The estimated cost to complete the construction-in-progress is approximately $714,870.

7. Pension Plans

(a) 403(b) Tax Deferred Annuity Plan

The Institute is the sponsor of a 403(b) tax deferred annuity plan that covers all Institute and Affiliate employees meeting eligibility requirements. Employee contributions are immediately vested. The Institute 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, 2014 was $897,777. In 2014, employer contributions were made of $890,864; for the year ended December 31, 2014, administration fees of $4,017 were paid.

(b) Frozen Plan

The Institute 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.

8. Workers' Compensation Reserve

DDI 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. DDI received an assessment based on this review for fiscal years 2006-2011. Former CRISP members retained counsel and negotiated an MOU with the WCB. DDI is currently paying a monthly amount of $28,102.40 based on the terms of the MOU. At some point, former CRISP members will be advised as to any remaining liability, once all former CRISP claims have either been closed or sold to third party. DDI's exact liability cannot be determined at this time. As such, provision for the amount of the full liability has not been recorded in the accompanying combined financial statements.

9. Due to Governmental Agencies

Due to governmental agencies consists of the following:

December 31, 2014	
Advances by funding sources to be recouped in future years	$5,036,938

10. Capital Lease Obligations

Capital lease obligations consisted of the following:

December 31, 2014	
The Institute financed the cost of vehicles with notes payable in various monthly installments through 2018. The interest rates on these leases range from 4.58% to 6.37%.	$1,326,998
Less: Current maturities	(500,002)
	$ 826,996

Future minimum principal payments and the present value of net minimum principal payments are as follows:

December 31,	
2015	$ 559,348
2016	478,162
2017	285,895
2018	112,688
Total minimum lease payments	1,436,093
Less: Interest	(109,095)
Present value of net minimum lease payments	$1,326,998

11. Line of Credit

The Institute has a revolving line of credit with a bank of up to $9,000,000, which was renewed in connection with the bond refinancing during the year and expires on August 31, 2015. Interest is charged at 3.75% per annum. There was $-0- outstanding at December 31, 2014. 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, 2014	
Mortgage payable to FDC, due August 2015, payable in semi-annual debt service payments ranging from $10,931 to $11,197, including interest at 7.78% per annum; secured by real estate located in Selden, New York.	$ 550
Mortgage payable to FDC, due August 2017, payable in semi-annual debt service payments ranging from $24,430 to $24,837, including interest at 7.95% per annum; secured by real estate located in Plainview, New York.	115,950
Mortgage payable to FDC, due August 2018, payable in semi-annual debt service payments ranging from $22,544 to $22,880, including interest at 6.76% per annum; secured by real estate located in Greenlawn, New York.	89,075
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.	106,055
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.	2,309,162
	2,620,792
Less: Current maturities	(244,387)
	$2,376,405

Mortgages and loans payable mature as follows:

December 31,	
2015	$ 244,387
2016	257,430
2017	213,323
2018	186,970
2019	196,742
Thereafter	1,521,940
	$2,620,792

13. Bonds Payable

(a) On December 1, 2004, the Institute obtained financing of $265,000 of Civic Facility Revenue bonds through 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, 2014, $80,000 remains outstanding:

(b) On January 21, 2005 the Institute 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, 2014, $65,000 remains outstanding.

(c) On October 1, 2005, the Institute 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, 2014, $530,000 remains outstanding.

(d) On September 26, 2006, the Institute 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, 2014, $1,955,000 remains outstanding.

(e) On August 29, 2012, the Institute 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 Suffolk County Industrial Development Agency. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 3.8%. At December 31, 2014, $17,574,476 remains outstanding.

On August 29, 2012, the Institute 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, 2014, $4,782,482 remains outstanding

The aggregate principal maturities for the years ending December 31 are as follows:

December 31,	
2015	$ 1,785,000
2016	1,890,000
2017	1,940,000
2018	2,010,000
2019	2,060,000
Thereafter	15,301,958
	$24,986,958

All bonds are secured by the related properties.

Interest expense related to the bonds for the year ended December 31, 2014 was $799,630.

14. Operating Leases

Pursuant to several lease agreements, the Institute and Affiliate are obligated for minimum annual rentals payable to nonrelated entities, as indicated below. The Institute is obligated for certain operating costs at these sites. The future minimum commitments to all nonrelated parties are as follows:

December 31,	
2015	$1,320,205
2016	1,340,348
2017	1,263,200
2018	894,579
2019	429,465
Thereafter	1,076,517
Total minimum lease payments	$6,324,314

Total rental expense under noncancellable operating leases amounted to $1,396,654 for the year ended December 31, 2014.

15. Commitments and Contingencies

(a) In conjunction with the operation of its Diagnostic and Treatment Centers, the Institute maintains occurrence-basis malpractice insurance policies for certain qualified providers. Non-qualified providers are required to maintain their own malpractice coverage. Management is not aware of any outstanding individual or aggregate malpractice claims that could potentially exceed the existing coverage limitations.

(b) For the year ended December 31, 2014, revenues from Medicare and Medicaid programs accounted for a significant portion of the Institute’s revenues. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Institute 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 Institute would be subject to regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

(c) Additionally, the Institute 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 Institute’s financial position.

(d) On August 5, 2014, the Institute entered into an irrevocable letter of credit amounting to $2,790,837 from a bank which matures on August 1, 2015. The letter of credit was issued in conjunction with the Institute's workers’ compensation policy. There were no outstanding borrowings at December 31, 2014.

16. Net Assets Released From Restrictions

During 2014, temporarily restricted net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose are as follows:

School supplies and book fair	$ 19,528
Memorial	6,768
Capital Campaign	298,489
	$324,785

17. Temporarily Restricted Net Assets

Donor restricted contributions held for specific purposes are as follows:

December 31, 2014	
School supplies and book fair	$ 81,471
Memorial	38,522
Capital campaign	786,520
Special events	21,132
	$927,645

18. Subsequent Events

The Institute and Affiliate's management has performed subsequent events procedures through May 28, 2015, 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.

Independent Auditor's Report on Supplementary Information

Our audit of the combined financial statements included in the preceding section of this report 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.

BDO USA, LLP

New York, New York

May 28, 2015

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2013)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2014	Combined Total 2013
Assets					
Current:					
Cash and cash equivalents	$ 9,824,211	$ 578,401	$ -	**$10,402,612**	$ 8,432,223
Cash - restricted	3,465,241	287,279	-	**3,752,520**	4,327,825
Investments, at fair value	-	4,996	-	**4,996**	28,018
Accounts receivable, net	16,131,405	-	-	**16,131,405**	12,718,313
Government and other grants receivable	874,888	60,074	-	**934,962**	947,840
Contributions and pledges receivable	-	211,049	-	**211,049**	293,078
Prepaid expenses and other assets	1,250,354	8,381	-	**1,258,735**	1,130,318
Total Current Assets	31,546,099	1,150,180	-	**32,696,279**	27,877,615
Due From Affiliates	-	23,402	(23,402)	**-**	-
Deferred Costs, Net	873,672	-	-	**873,672**	1,137,312
Assets Limited to Use	4,640,093	-	-	**4,640,093**	8,861,020
Fixed Assets, Net	27,477,574	-	-	**27,477,574**	24,293,712
	$64,537,438	**$1,173,582**	**$(23,402)**	**$65,687,618**	$62,169,659

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2013)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2014	Combined Total 2013
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 2,309,317	$ 769	$ -	**$ 2,310,086**	$ 2,409,774
Accrued interest payable	129,677	-	-	**129,677**	128,746
Accrued payroll and related benefits	5,879,122	-	-	**5,879,122**	5,990,000
Accrued pension payable (includes pension advance $1,115)	897,777	-	-	**897,777**	915,095
Due to affiliates	23,402	-	(23,402)	**-**	-
Deferred revenue	1,804,318	-	-	**1,804,318**	2,166,327
Capital lease obligations	500,002	-	-	**500,002**	528,507
Line of credit	-	-	-	**-**	384,000
Mortgages and loans payable	244,387	-	-	**244,387**	177,683
Bonds payable	1,785,000	-	-	**1,785,000**	1,788,000
Due to governmental agencies	1,547,860	-	-	**1,547,860**	819,523
Total Current Liabilities	15,120,862	769	(23,402)	**15,098,229**	15,307,655
Deferred Revenue, Less Current Portion	1,548,538	-	-	**1,548,538**	887,403
Capital Lease Obligations, Less Current Maturities	826,996	-	-	**826,996**	682,695
Mortgages and Loans Payable, Less Current Maturities	2,376,405	-	-	**2,376,405**	1,522,843
Bonds Payable, Less Current Maturities	23,201,958	-	-	**23,201,958**	24,986,958
Due to Governmental Agencies, Less Current Portion	3,489,078	-	-	**3,489,078**	4,266,557
Total Liabilities	46,563,837	769	(23,402)	**46,541,204**	47,654,111
Net Assets:					
Unrestricted net assets	17,973,601	245,168	-	**18,218,769**	13,384,560
Temporarily restricted net assets	-	927,645	-	**927,645**	1,130,988
Total Net Assets	17,973,601	1,172,813	-	**19,146,414**	14,515,548
	$64,537,438	**$1,173,582**	**$(23,402)**	**$65,687,618**	$62,169,659

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Activities
(with comparative totals for 2013)

Year ended December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.			Combined Total	
	Unrestricted	Unrestricted	Temporarily Restricted	Total	**2014**	2013
Program Revenues:						
Fees for services	$85,125,406	$ -	$ -	$ -	**$85,125,406**	$82,461,424
Government and other grants	1,442,514	-	-	-	**1,442,514**	970,619
Net patient service revenues	4,780,926	-	-	-	**4,780,926**	4,820,699
Other program revenues	1,515,040	-	-	-	**1,515,040**	1,372,835
Net assets released from restrictions	-	26,296	(26,296)	-	**-**	-
Total Program Revenues	92,863,886	26,296	(26,296)	-	**92,863,886**	89,625,577
Expenses:						
Program services:						
Education services	29,682,713	-	-	-	**29,682,713**	28,790,045
Clinic services	5,192,637	-	-	-	**5,192,637**	5,910,753
Adult day services	15,648,495	-	-	-	**15,648,495**	15,433,702
Children's residential services	7,934,228	-	-	-	**7,934,228**	6,138,683
Adult residential services	25,811,303	-	-	-	**25,811,303**	25,932,619
Other programs	5,136	-	-	-	**5,136**	-
Total Program Services	84,274,512	-	-	-	**84,274,512**	82,205,802
Supporting services:						
Management and general	5,793,961	-	-	-	**5,793,961**	5,797,421
Fundraising	-	171,150	-	171,150	**171,150**	217,617
Total Supporting Services	5,793,961	171,150	-	171,150	**5,965,111**	6,015,038
Total Expenses	90,068,473	171,150	-	171,150	**90,239,623**	88,220,840
Change in Net Assets Before Nonoperating Revenues and Expenses	2,795,413	(144,854)	(26,296)	(171,150)	**2,624,263**	1,404,737
Nonoperating Revenues and Expenses:						
Capital campaign income	-	-	67,935	67,935	**67,935**	30,405
Capital campaign expenses	-	-	(298,489)	(298,489)	**(298,489)**	(34,413)
Net Expenses From Capital Campaign	-	-	(230,554)	(230,554)	**(230,554)**	(4,008)
Special events revenues	-	377,683	21,132	398,815	**398,815**	359,632
Direct cost to donors	-	(127,729)	-	(127,729)	**(127,729)**	(139,770)
Net Revenues From Special Events	-	249,954	21,132	271,086	**271,086**	219,862
Contributions	9,600	8,758	32,375	41,133	**50,733**	94,726
Gain on sale of fixed assets	40,014	-	-	-	**40,014**	48,307
Unrealized (losses) gains on investments	-	(109)	-	(109)	**(109)**	1,438
Interest income	39,774	114	-	114	**39,888**	50,563
Other income	105,441	1,200	-	1,200	**106,641**	103,126
Prior period income (expense)	1,736,512	(7,608)	-	(7,608)	**1,728,904**	(1,348,195)
Total Nonoperating Revenues and Expenses	1,931,341	252,309	(177,047)	75,262	**2,006,603**	(834,181)
Change in Net Assets	4,726,754	107,455	(203,343)	(95,888)	**4,630,866**	570,556
Net Assets, Beginning of Year	13,246,847	137,713	1,130,988	1,268,701	**14,515,548**	13,944,992
Net Assets, End of Year	**$17,973,601**	**$245,168**	**$927,645**	**$1,172,813**	**$19,146,414**	$14,515,548

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Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements and Supplementary Information
Year Ended December 31, 2013

Developmental Disabilities Institute, Inc. and Affiliate

Combined Financial Statements
and Supplementary Information
Year Ended December 31, 2013

Contents

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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, "DDI"), which comprise the combined statement of financial position as of December 31, 2013, 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, 2013, 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 previously audited DDI's 2012 combined financial statements and our report, dated May 14, 2013, 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, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 14, 2014

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Financial Position
(with comparative totals for 2012)

December 31,	**2013**	2012
Assets		
Current:		
Cash and cash equivalents (Note 3)	**$ 8,432,223**	$11,046,031
Cash - restricted (Note 3)	**4,327,825**	1,199,616
Investments, at fair value (Notes 3 and 4)	**28,018**	3,547
Accounts receivable, net of allowance for doubtful accounts of $382,092 and $413,253 for 2013 and 2012, respectively (Notes 3 and 11)	**12,718,313**	13,133,712
Government and other grants receivable (Note 3)	**947,840**	496,557
Contributions and pledges receivable, net (Notes 3 and 5)	**293,078**	388,818
Prepaid expenses and other assets	**1,130,318**	1,290,911
Total Current Assets	**27,877,615**	27,559,192
Deferred Costs, Net (Note 3)	**1,137,312**	1,493,263
Assets Limited to Use (Note 4)	**8,861,020**	17,819,856
Fixed Assets, Net (Notes 3, 6, 12 and 13)	**24,293,712**	19,959,703
	$62,169,659	$66,832,014
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 2,409,774**	$ 2,256,137
Accrued interest payable (Note 13)	**128,746**	123,364
Accrued payroll and related benefits	**5,990,000**	3,551,435
Accrued pension payable (Note 7)	**915,095**	986,791
Deferred revenue (Note 3)	**2,166,327**	1,049,061
Capital lease obligations, current portion (Note 10)	**528,507**	442,934
Line of credit (Note 11)	**384,000**	-
Mortgages and loans payable, current portion (Note 12)	**177,683**	183,077
Bonds payable, current portion (Note 13)	**1,788,000**	9,466,001
Due to governmental agencies, current portion (Notes 3 and 9)	**819,523**	1,652,928
Total Current Liabilities	**15,307,655**	19,711,728
Deferred Revenue, Less Current Portion (Note 3)	**887,403**	1,032,705
Capital Lease Obligations, Less Current Maturities (Note 10)	**682,695**	557,017
Mortgages and Loans Payable, Less Current Maturities (Note 12)	**1,522,843**	1,699,417
Bonds Payable, Less Current Maturities (Note 13)	**24,986,958**	26,774,959
Due to Governmental Agencies, Less Current Portion (Notes 3 and 9)	**4,266,557**	3,111,196
Total Liabilities	**47,654,111**	52,887,022
Commitments and Contingencies (Notes 3, 8, 9, 10, 11, 12, 13, 15 and 16)		
Net Assets:		
Unrestricted net assets (Note 3)	**13,384,560**	12,832,240
Temporarily restricted net assets (Notes 3, 17 and 18)	**1,130,988**	1,112,752
Total Net Assets	**14,515,548**	13,944,992
	$62,169,659	$66,832,014

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Activities
(with comparative totals for 2012)

Year ended December 31,

	Unrestricted	Temporarily Restricted	Eliminations	Total 2013	Total 2012
Program Revenues:					
Fees for services	$82,461,424	$ -	$ -	**$82,461,424**	$82,217,717
Government and other grants	970,619	-	-	**970,619**	1,098,382
Clinic revenue	4,820,699	-	-	**4,820,699**	5,993,884
Other program revenues	1,372,835	-	-	**1,372,835**	1,469,202
Net assets released from restrictions (Note 17)	49,166	(49,166)	-	**-**	-
Total Program Revenues	89,674,743	(49,166)	-	**89,625,577**	90,779,185
Expenses:					
Program services:					
Education services	28,790,045	-	-	**28,790,045**	29,373,632
Clinic services	5,910,753	-	-	**5,910,753**	6,848,799
Adult day services	15,433,702	-	-	**15,433,702**	14,888,745
Children's residential services	6,138,683	-	-	**6,138,683**	6,072,130
Adult residential services	25,932,619	-	-	**25,932,619**	25,096,688
Total Program Services	82,205,802	-	-	**82,205,802**	82,279,994
Supporting services:					
Management and general	5,797,421	-	-	**5,797,421**	5,586,494
Fundraising	235,819	-	(18,202)	**217,617**	225,982
Total Supporting Services	6,033,240	-	(18,202)	**6,015,038**	5,812,476
Total Expenses	88,239,042	-	(18,202)	**88,220,840**	88,092,470
Change in Net Assets Before Nonoperating Revenues and Expenses	1,435,701	(49,166)	18,202	**1,404,737**	2,686,715
Nonoperating Revenues and Expenses:					
Capital campaign income	-	30,405	-	**30,405**	155,262
Capital campaign expenses	-	(34,413)	-	**(34,413)**	(54,632)
Net (Expenses) Revenues From Capital Campaign	-	(4,008)	-	**(4,008)**	100,630
Special events revenues	359,632	-	-	**359,632**	377,260
Direct cost to donors	(139,770)	-	-	**(139,770)**	(133,766)
Net Revenues From Special Events	219,862	-	-	**219,862**	243,494
Contributions	41,518	71,410	(18,202)	**94,726**	85,177
Gain on sale of fixed assets	48,307	-	-	**48,307**	32,282
Unrealized gains on investments	1,438	-	-	**1,438**	238
Interest income	50,563	-	-	**50,563**	30,104
Other income	103,126	-	-	**103,126**	119,586
Prior period expense (Note 14)	(1,348,195)	-	-	**(1,348,195)**	(1,451,503)
Total Nonoperating Revenues and Expenses	(883,381)	67,402	(18,202)	**(834,181)**	(839,992)
Change in Net Assets Before Loss on Extinguishment of Debt	552,320	18,236	-	**570,556**	1,846,723
Loss on Extinguishment of Debt (Note 13)	-	-	-	**-**	(907,097)
Change in Net Assets	552,320	18,236	-	**570,556**	939,626
Net Assets, Beginning of Year	12,832,240	1,112,752	-	**13,944,992**	13,005,366
Net Assets, End of Year	**$13,384,560**	**$1,130,988**	$ -	**$14,515,548**	$13,944,992

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Functional Expenses
(with comparative totals for 2012)

Year ended December 31,

	Program Services						Supporting Services				Total	
	Education Services	Clinic Services	Adult Day Services	Children's Residential Services	Adult Residential Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Eliminations	**2013**	2012
Salaries and Related Expenses:												
Salaries	$19,152,752	$3,384,120	$8,697,522	$3,391,740	$15,372,353	$49,998,487	$3,344,551	$ 96,935	$3,441,486	$ -	**$53,439,973**	$53,598,364
Payroll taxes and employee benefits	6,747,954	992,396	3,174,699	1,178,571	5,699,540	17,793,160	980,178	38,589	1,018,767	-	**18,811,927**	18,875,497
Total Salaries and Related Expenses	25,900,706	4,376,516	11,872,221	4,570,311	21,071,893	67,791,647	4,324,729	135,524	4,460,253	-	**72,251,900**	72,473,861
Other Expenses:												
Fee-for-services professionals	10,055	172,906	5,575	12,088	98,413	299,037	164,382	-	164,382	-	**463,419**	409,469
Building occupancy	489,667	217,409	808,169	25	352	1,515,622	17,755	-	17,755	-	**1,533,377**	1,479,951
Telephone	138,750	41,095	135,637	27,344	106,790	449,616	34,333	1,218	35,551	-	**485,167**	570,018
Travel	29,998	2,343	42,033	1,965	30,378	106,717	10,203	1,343	11,546	-	**118,263**	127,021
Supplies	441,623	141,171	173,968	179,702	617,340	1,553,804	16,344	39	16,383	-	**1,570,187**	1,176,896
Food	2,324	2	30,433	219,532	722,894	975,185	2,079	-	2,079	-	**977,264**	1,216,882
Office expense	135,530	120,947	97,636	33,153	72,616	459,882	231,461	29,165	260,626	-	**720,508**	643,335
Dues and subscriptions	14,206	1,779	2,316	90	1,610	20,001	48,649	800	49,449	-	**69,450**	67,131
Postage	11,472	3,972	2,524	1,212	1,228	20,408	50,706	344	51,050	-	**71,458**	67,088
Meetings and conferences	12,824	1,346	20,459	6,747	16,747	58,123	24,502	52,273	76,775	(18,202)	**116,696**	79,797
Employee training and recruitment	68,271	11,647	58,479	18,645	73,647	230,689	29,756	14	29,770	-	**260,459**	256,621
Legal and accounting	852	13,872	3,813	3,352	7,297	29,186	272,379	-	272,379	-	**301,565**	377,874
Utilities	334,587	74,184	228,209	87,903	352,313	1,077,196	39,780	958	40,738	-	**1,117,934**	1,046,340
Repairs and maintenance	224,849	114,741	275,123	54,069	260,735	929,517	22,411	3,065	25,476	-	**954,993**	839,845
Equipment and furniture	78,806	1,248	52,400	19,205	69,791	221,450	19,744	6,868	26,612	-	**248,062**	96,436
Interest	125,125	208,332	96,963	74,080	348,485	852,985	23,074	125	23,199	-	**876,184**	1,143,159
Insurance	301,762	101,511	376,170	75,140	434,486	1,289,069	82,124	1,071	83,195	-	**1,372,264**	1,360,285
Medicaid assessment taxes	-	-	-	439,022	227,880	666,902	-	-	-	-	**666,902**	621,189
Amortization of debt issuance costs	53,663	72,245	26,051	10,767	50,046	212,772	9,815	-	9,815	-	**222,587**	114,672
Debt-related expenses	-	-	-	-	-	-	11,457	-	11,457	-	**11,457**	14,929
Vehicle expense	81,530	2,040	740,416	37,100	397,371	1,258,457	8,210	123	8,333	-	**1,266,790**	1,205,986
Bad debt expense	4,855	-	-	-	-	4,855	-	2,312	2,312	-	**7,167**	240,241
Total Expenses Before Depreciation and Amortization	28,461,455	5,679,306	15,048,595	5,871,452	24,962,312	80,023,120	5,443,893	235,242	5,679,135	(18,202)	**85,684,053**	85,629,026
Depreciation and Amortization	328,590	231,447	385,107	267,231	970,307	2,182,682	353,528	577	354,105	-	**2,536,787**	2,463,444
Total Expenses	**$28,790,045**	**$5,910,753**	**$15,433,702**	**$6,138,683**	**$25,932,619**	**$82,205,802**	**$5,797,421**	**$235,819**	**$6,033,240**	**$(18,202)**	**$88,220,840**	**$88,092,470**

See accompanying notes to combined financial statements.

Developmental Disabilities Institute, Inc. and Affiliate

Combined Statement of Cash Flows
(with comparative totals for 2012)

Year ended December 31,	2013	2012
Cash Flows From Operating Activities:		
Change in net assets	**$ 570,556**	$ 939,626
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**2,536,787**	2,463,444
Amortization of debt issuance costs	**222,587**	114,672
Loss on extinguishment of debt	**-**	907,097
Gain on sale of fixed assets	**(48,307)**	(32,282)
Provision for bad debt	**7,167**	240,241
Donated stock	**(23,033)**	-
Discount on pledges receivables	**(4,863)**	824
Unrealized gains on investments	**(1,438)**	(238)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**408,232**	2,418,230
Government and other grants receivable	**(451,283)**	115,505
Contributions and pledges receivable	**100,603**	10,842
Prepaid expenses and other assets	**160,593**	(423,192)
Debt issuance costs	**133,364**	(1,330,890)
Increase (decrease) in:		
Accounts payable and accrued expenses	**153,637**	966,573
Accrued interest payable	**5,382**	(196,566)
Accrued payroll and related benefits	**2,438,565**	935,031
Accrued pension payable	**(71,696)**	986,791
Deferred revenue	**971,964**	(219,012)
Due to governmental agencies	**321,956**	38,262
Net Cash Provided By Operating Activities	**7,430,773**	7,934,958
Cash Flows From Investing Activities:		
Purchases of fixed assets	**(6,092,812)**	(2,560,437)
Proceeds from sale of fixed assets	**55,135**	35,354
Cash - restricted	**(3,128,209)**	7,601
Assets limited to use	**8,958,836**	(9,329,500)
Net Cash Used In Investing Activities	**(207,050)**	(11,846,982)
Cash Flows From Financing Activities:		
Proceeds from line of credit	**384,000**	-
Payments on line of credit	**-**	(480,000)
Repayments on capital lease obligations	**(573,561)**	(368,514)
Principal payments on mortgages and loans payable	**(181,968)**	(359,660)
Proceeds from bonds payable	**-**	25,267,362
Principal payments on bonds payable	**(9,466,002)**	(13,146,000)
Net Cash Provided By (Used In) Financing Activities	**(9,837,531)**	10,913,188
Net (Decrease) Increase in Cash and Cash Equivalents	**(2,613,808)**	7,001,164
Cash and Cash Equivalents, Beginning of Year	**11,046,031**	4,044,867
Cash and Cash Equivalents, End of Year	**$ 8,432,223**	$11,046,031
Supplemental Cash Flow Information:		
Cash paid for interest	**$ 876,184**	$ 1,143,159
Noncash transaction related to capital leases	**784,812**	464,167

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 "Institute") and DDI Foundation, Inc. (the "Foundation") (collectively, the "Institute 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 Institute 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 Institute also operates 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 Institute 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 Institute 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, 2013.

(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 Institute. The Foundation maintains certain common board members with the Institute. 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, 2013.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

The combined financial statements of the Institute 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 Institute'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 the Institute is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Institute.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Institute is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Institute 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 Institute and Affiliate consider all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(d) Cash-Restricted

Restricted cash consists of cash held in banks for future contributions to the pension plan and future workers compensation claims.

(e) Provision for Doubtful Accounts

The Institute 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, 2013, the total allowance for doubtful accounts is $382,092.

(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 Institute 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 Institute 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 Institute 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, 2013. Management believes that the Institute and Affiliate are no longer subject to income tax examinations for years prior to 2010.

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 Institute 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 Institute and Affiliate have filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, the Institute 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, 2013, 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 Institute 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, 2013, 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, 2013, the Institute and Affiliate used a discount rate of 3.0%.

Contributions receivable consist of $208,371 for the capital campaign and $84,707 for pledges receivable at December 31, 2013.

The capital campaign represents funds donated to the Institute and Affiliate for the purpose of renovations of the Little Plains School located in Huntington, New York and expenses related to the capital campaign.

(k) Deferred Costs

Deferred costs consist of debt issuance costs and deferred start-up costs. Debt issuance costs are deferred and amortized using the straight-line method over the term of the related debt. Deferred start-up costs are amortized using the straight-line method over a five-year term in accordance with the reimbursement period of the costs to acquire those assets. As of December 31, 2013, the total accumulated amortization is $1,125,640 and $82,578, respectively.

(l) Third-party Reimbursements and Revenue Recognition

The Institute 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.

(m) 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.

(n) Concentration of Credit Risk

Financial instruments which potentially subject the Institute and Affiliate to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Institute and Affiliate have cash deposits at financial institutions, which exceed the Federal Depository Insurance Corporation insurance limits.

(o) 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.

(p) 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 Institute and Affiliate's combined financial statements for the year ended December 31, 2012, from which the summarized information was derived in total but not by net asset class.

(q) Reclassifications

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation.

(r) Recently Issued Accounting Standard

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2012-05, "Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (Topic 230)", to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any imposed restrictions for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those securities would be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts would be classified as cash flows from financing activities. Otherwise, receipts from the sale of donated securities would be classified as cash flows from investing activities. The Institute and Affiliate adopted ASU 2012-05 in the combined financial statements.

4. Investments and Assets Limited as to Use

The cost and respective fair values of investments at December 31, 2013 are as follows:

December 31, 2013

	Cost	Fair Value
Institute and Affiliate:		
Common stock	$ 25,470	$ 28,018
Federated Treasury Obligations Fund	7,909,907	7,909,907
Debt service reserve fund - money market fund	951,113	951,113
Total	$8,886,490	$8,889,038

The Institute and Affiliate'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 Institute and

Affiliate's policies regarding this hierarchy. A description of the valuation techniques applied to the Institute and Affiliate's major categories of assets measured at fair value is below.

The Institute and Affiliate have investments in common stock, treasury obligation and money market funds. The Institute and Affiliate's custodian prices these investments using nationally recognized pricing services. The Institute and Affiliate'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 Institute and Affiliate's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2013. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Institute 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, 2013
2005 A-B Civic Facility Revenue Bonds:				
Federal Treasury Obligations Fund	$ 129,189	$-	$-	$ 129,189
2006 A-B Civic Facility Revenue Bonds:				
Federal Treasury Obligations Fund	80,237	-	-	80,237
2012 AA-AF Local Development Corp. Revenue Bond	7,329,965	-	-	7,329,965
2012 BA-BE County Economic Development Corp. Revenue Bond	370,516	-	-	370,516
Facilities Development Corporation ("FDC") mortgages payable - debt service reserve fund	951,113	-	-	951,113
Common stock	28,018	-	-	28,018
	$8,889,038	$-	$-	$8,889,038

5. Contributions and Pledges Receivable, Net

At December 31, 2013, the net present value of contributions and pledges receivable is $293,078. The net present value of pledges receivable was calculated using a discount rate of 3.0%.

Net present value of pledges receivable at December 31, 2013 is summarized below:

December 31, 2013	
Total contributions and pledges receivable	$297,941
Discount	(4,863)
Net present value of contributions receivable	$293,078
Amount due in:	
One year	$186,483
Two to five years	111,458
	$297,941

6. Fixed Assets, Net

Fixed assets, net, including equipment under capital leases, consists of the following:

December 31, 2013	
Land	$ 4,782,783
Buildings and building improvements	28,962,213
Furniture, fixtures and office equipment	7,995,338
Vehicles under capital lease obligations	4,392,468
Machinery and equipment	215,929
IT equipment	599,823
Leasehold improvements	1,997,652
	48,946,206
Less: Accumulated depreciation and amortization	(32,333,776)
Construction-in-progress	7,681,282
	$ 24,293,712

The estimated cost to complete the construction-in-progress is approximately $5,232,000.

7. Pension Plans

(a) 403(b) Tax Deferred Annuity Plan

The Institute is the sponsor of a 403(b) tax deferred annuity plan that covers all Institute and Affiliate employees meeting eligibility requirements. Employee contributions are immediately vested. The Institute 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, 2013 was $915,095. In 2013, employer contributions were made of $984,121; for the year ended December 31, 2013, administration fees of $375 were paid.

(b) Frozen Plan

The Institute and Affiliate had a defined contribution 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.

8. Workers' Compensation Reserve

DDI 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. DDI received an assessment based on this review for fiscal years 2006-2011 which management is disputing based on insufficient information. DDI is requesting that CRISP and WCB furnish additional information and documentation to clarify the basis and the calculation of the assessment. As such, provision for the amount of the full liability has not been recorded in the accompanying combined financial statements. In view of the numerous unanswered questions concerning the basis and calculation of the assessment, DDI believes that it cannot reasonably estimate an amount due.

9. Due to Governmental Agencies

Due to governmental agencies consists of the following:

December 31, 2013	
Advances by funding sources to be recouped in future years	$5,086,080

10. Capital Lease Obligations

Capital lease obligations consisted of the following:

December 31, 2013	
The Institute financed the cost of vehicles with notes payable in various monthly installments through 2017. The interest rates on these leases range from 4.58% to 6.23%.	$1,211,202
Less: Current maturities	(528,507)
	$ 682,695

Future minimum principal payments and the present value of net minimum principal payments are as follows:

December 31,	
2014	$ 584,980
2015	361,583
2016	285,445
2017	82,010
Total minimum lease payments	1,314,018
Less: Interest	(102,816)
Present value of net minimum lease payments	$1,211,202

11. Line of Credit

The Institute has a revolving line of credit with a bank of up to $7,000,000, which was renewed in connection with the bond refinancing during the year and expires on August 31, 2014. Interest is charged at 3.75% per annum. There was $384,000 outstanding at December 31, 2013. 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, 2013	
Mortgage payable to FDC, due August 2015, payable in semi-annual debt service payments ranging from $10,931 to $11,197, including interest at 7.78% per annum; secured by real estate located in Selden, New York.	$ 19,600
Mortgage payable to FDC, due August 2017, payable in semi-annual debt service payments ranging from $24,430 to $24,837, including interest at 7.95% per annum; secured by real estate located in Plainview, New York.	154,500
Mortgage payable to FDC, due August 2018, payable in semi-annual debt service payments ranging from $22,544 to $22,880, including interest at 6.76% per annum; secured by real estate located in Greenlawn, New York.	127,300
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.	122,413
Various loans payable, due from May 2025 to February 2026, payable in current monthly installments ranging from $188 to $4,833, including interest from 4.29% to 5.49%; secured by related vehicles, land and buildings.	1,276,713
	1,700,526
Less: Current maturities	(177,683)
	$1,522,843

Mortgages and loans payable mature as follows:

December 31,	
2014	$ 177,683
2015	168,627
2016	178,260
2017	130,584
2018	100,198
Thereafter	945,174
	$1,700,526

13. Bonds Payable

(a) On December 1, 2004, the Institute obtained financing of $265,000 of Civic Facility Revenue bonds through 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, 2013, $100,000 remains outstanding:

(b) On January 21, 2005 the Institute 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, 2013, $75,000 remains outstanding.

(c) On October 1, 2005, the Institute 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, 2013, $605,000 remains outstanding.

(d) On September 26, 2006, the Institute 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, 2013, $2,210,000 remains outstanding.

(e) On August 29, 2012, the Institute 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 Suffolk County Industrial Development Agency. The bond, which requires monthly interest payments, bears interest ranging from 2.5% to 3.8%. At December 31, 2013, $18,634,476 remains outstanding.

On August 29, 2012, the Institute 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, 2013, $5,150,482 remains outstanding

The aggregate principal maturities for the years ending December 31 are as follows:

December 31,	
2014	$ 1,788,000
2015	1,785,000
2016	1,890,000
2017	1,940,000
2018	2,010,000
Thereafter	17,361,958
	$26,774,958

All bonds are secured by the related properties.

Interest expense related to the bonds for the year ended December 31, 2013 was $706,554.

14. Prior Period Revenue and Expense

In February 2013, the New York State Department of Health ("DOH") retroactively adjusted DDI's Ambulatory Patient Group ("APG") capital Medicaid reimbursement rates for the period September 1, 2009 through December 31, 2012. The APG clinic capital rates were revised to update the two year base capital rate calculation as required by the Commissioner's Rules and Regulations. In order to calculate these rates, DOH used the Ambulatory Health Care Facility ("AHCF") cost report data from 2007 through 2010 base years. There was also an adjustment to base rates resulting from the approval by Center for Medicare and Medicaid Services ("CMS") of the $37.5m annual investment in APGs beginning effective December 1, 2009.

15. Operating Leases

Pursuant to several lease agreements, the Institute and Affiliate are obligated for minimum annual rentals payable to nonrelated entities, as indicated below. The Institute is obligated for certain operating costs at these sites. The future minimum commitments to all nonrelated parties are as follows:

December 31,	
2014	$ 982,620
2015	913,633
2016	921,595
2017	831,885
2018	450,323
Thereafter	1,411,781
Total minimum lease payments	$5,511,837

Total rental expense under noncancellable operating leases amounted to $1,385,141 for the year ended December 31, 2013.

16. Commitments and Contingencies

(a) In conjunction with the operation of its Diagnostic and Treatment Centers, the Institute maintains occurrence-basis malpractice insurance policies for certain qualified providers. Non-qualified providers are required to maintain their own malpractice coverage. Management is not aware of any outstanding individual or aggregate malpractice claims that could potentially exceed the existing coverage limitations.

(b) For the year ended December 31, 2013, revenues from Medicare and Medicaid programs accounted for a significant portion of the Institute's revenues. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Institute 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 Institute would be subject to regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

(c) Additionally, the Institute 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 Institute's financial position.

(d) On August 15, 2013, the Institute entered into an irrevocable letter of credit amounting to $3,160,837 from a bank which matures on August 1, 2014. The letter of credit was issued in conjunction with the Institute's workers' compensation policy. There were no outstanding borrowings at December 31, 2013.

17. Net Assets Released From Restrictions

During 2013, temporarily restricted net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose are as follows:

School supplies and book fair	$22,355
Memorial	8,691
Employee relief fund	18,120
	$49,166

18. Temporarily Restricted Net Assets

Donor restricted contributions held for specific purposes are as follows:

December 31, 2013	
School supplies and book fair	$ 69,380
Memorial	44,633
Capital campaign	1,027,075
	$1,141,088

19. Subsequent Events

The Institute and Affiliate's management has performed subsequent events procedures through May 14, 2014, 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.

Independent Auditor's Report on Supplementary Information

Our audits of the combined financial statements included in the preceding section of this report were 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 audits 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.

BDO USA, LLP

New York, New York

May 14, 2014

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2012)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2013	Combined Total 2012
Assets					
Current:					
Cash and cash equivalents	$ 8,038,368	$ 393,855	$ -	**$ 8,432,223**	$11,046,031
Cash – restricted	4,062,067	265,758	-	**4,327,825**	1,199,616
Investments, at fair value	-	28,018	-	**28,018**	3,547
Accounts receivable, net	12,718,313	-	-	**12,718,313**	13,133,712
Government and other grants receivable	647,716	300,124	-	**947,840**	496,557
Contributions and pledges receivable	-	293,078	-	**293,078**	388,818
Prepaid expenses and other assets	1,127,194	3,124	-	**1,130,318**	1,290,911
Total Current Assets	26,593,658	1,283,957	-	**27,877,615**	27,559,192
Due From Affiliates	11,227	-	(11,227)	**-**	-
Deferred Costs, Net	1,137,312	-	-	**1,137,312**	1,493,263
Assets Limited to Use	8,861,020	-	-	**8,861,020**	17,819,856
Fixed Assets, Net	24,293,712	-	-	**24,293,712**	19,959,703
	$60,896,929	**$1,283,957**	**$(11,227)**	**$62,169,659**	$66,832,014

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2012)

December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.	Eliminations	Combined Total 2013	Combined Total 2012
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 2,405,745	$ 4,029	$ -	**$ 2,409,774**	$ 2,256,137
Accrued interest payable	128,746	-	-	**128,746**	123,364
Accrued payroll and related benefits	5,990,000	-	-	**5,990,000**	3,551,435
Accrued pension payable	915,095	-	-	**915,095**	986,791
Due to affiliates	-	11,227	(11,227)	**-**	-
Deferred revenue	2,166,327	-	-	**2,166,327**	1,049,061
Capital lease obligations	528,507	-	-	**528,507**	442,934
Line of credit	384,000	-	-	**384,000**	-
Mortgages and loans payable	177,683	-	-	**177,683**	183,077
Bonds payable	1,788,000	-	-	**1,788,000**	9,466,001
Due to governmental agencies	819,523	-	-	**819,523**	1,652,928
Total Current Liabilities	15,303,626	15,256	(11,227)	**15,307,655**	19,711,728
Deferred Revenue, Less Current Portion	887,403	-	-	**887,403**	1,032,705
Capital Lease Obligations, Less Current Maturities	682,695	-	-	**682,695**	557,017
Mortgages and Loans Payable, Less Current Maturities	1,522,843	-	-	**1,522,843**	1,699,417
Bonds Payable, Less Current Maturities	24,986,958	-	-	**24,986,958**	26,774,959
Due to Governmental Agencies, Less Current Portion	4,266,557	-	-	**4,266,557**	3,111,196
Total Liabilities	47,650,082	15,256	(11,227)	**47,654,111**	52,887,022
Net Assets:					
Unrestricted net assets	13,246,847	137,713	-	**13,384,560**	12,832,240
Temporarily restricted net assets	-	1,130,988	-	**1,130,988**	1,112,752
Total Net Assets	13,246,847	1,268,701	-	**14,515,548**	13,944,992
	$60,896,929	**$1,283,957**	**$(11,227)**	**$62,169,659**	$66,832,014

Developmental Disabilities Institute, Inc. and Affiliate

Combining Statement of Activities
(with comparative totals for 2012)

Year ended December 31,

	Developmental Disabilities Institute, Inc.	DDI Foundation, Inc.				Combined Total	
	Unrestricted	Unrestricted	Temporarily Restricted	Total	Eliminations	2013	2012
Program Revenues:							
Fees for services	$82,461,424	$ -	$ -	$ -	$ -	**$82,461,424**	$82,217,717
Government and other grants	970,619	-	-	-	-	**970,619**	1,098,382
Net patient service revenues	4,820,699	-	-	-	-	**4,820,699**	5,993,884
Other program revenues	1,372,835	-	-	-	-	**1,372,835**	1,469,202
Net assets released from restrictions	-	49,166	(49,166)	-	-	**-**	-
Total Program Revenues	89,625,577	49,166	(49,166)	-	-	**89,625,577**	90,779,185
Expenses:							
Program services:							
Education services	28,790,045	-	-	-	-	**28,790,045**	29,373,632
Clinic services	5,910,753	-	-	-	-	**5,910,753**	6,848,799
Adult day services	15,433,702	-	-	-	-	**15,433,702**	14,888,745
Children's residential services	6,138,683	-	-	-	-	**6,138,683**	6,072,130
Adult residential services	25,932,619	-	-	-	-	**25,932,619**	25,096,688
Total Program Services	82,205,802	-	-	-	-	**82,205,802**	82,279,994
Supporting services:							
Management and general	5,797,421	-	-	-	-	**5,797,421**	5,586,494
Fundraising	-	235,819	-	235,819	(18,202)	**217,617**	225,982
Total Supporting Services	5,797,421	235,819	-	235,819	(18,202)	**6,015,038**	5,812,476
Total Expenses	88,003,223	235,819	-	235,819	(18,202)	**88,220,840**	88,092,470
Change in Net Assets Before Nonoperating Revenues and Expenses	1,622,354	(186,653)	(49,166)	(235,819)	18,202	**1,404,737**	2,686,715
Nonoperating Revenues and Expenses:							
Capital campaign income	-	-	30,405	30,405	-	**30,405**	155,262
Capital campaign expenses	-	-	(34,413)	(34,413)	-	**(34,413)**	(54,632)
Net (Expenses) Revenues From Capital Campaign	-	-	(4,008)	(4,008)	-	**(4,008)**	100,630
Special events revenues	-	359,632	-	359,632	-	**359,632**	377,260
Direct cost to donors	-	(139,770)	-	(139,770)	-	**(139,770)**	(133,766)
Net Revenues From Special Events	-	219,862		219,862	-	**219,862**	243,494
Contributions	27,802	13,716	71,410	85,126	(18,202)	**94,726**	85,177
Gain on sale of fixed assets	48,307	-	-	-	-	**48,307**	32,282
Unrealized gains on investments	-	1,438	-	1,438	-	**1,438**	238
Interest income	50,430	133	-	133	-	**50,563**	30,104
Other income	103,126	-	-	-	-	**103,126**	119,586
Prior period expense	(1,325,429)	(22,766)	-	(22,766)	-	**(1,348,195)**	(1,451,503)
Total Nonoperating Revenues and Expenses	(1,095,764)	212,383	67,402	279,785	(18,202)	**(834,181)**	(839,992)
Change in Net Assets Before Loss on Extinguishment of Debt	526,590	25,730	18,236	43,966	-	**570,556**	1,846,723
Loss on Extinguishment of Debt	-	-	-	-	-	**-**	(907,097)
Change in Net Assets	526,590	25,730	18,236	43,966	-	**570,556**	939,626
Net Assets, Beginning of Year	12,720,257	111,983	1,112,752	1,224,735	-	**13,944,992**	13,005,366
Net Assets, End of Year	**$13,246,847**	**$137,713**	**$1,130,988**	**$1,268,701**	**$ -**	**$14,515,548**	$13,944,992

APPENDIX B-II

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2015, JUNE 30, 2014 AND JUNE 30, 2013)

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Eden II School For Autistic Children, Inc.

Financial Statements
Year Ended June 30, 2015

Eden II School For Autistic Children, Inc.

Financial Statements
Year Ended June 30, 2015

Eden II School For Autistic Children, Inc.

Contents

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Independent Auditor's Report

Board of Trustees
Eden II School for Autistic Children, Inc.
Staten Island, New York

We have audited the accompanying financial statements of Eden II School for Autistic Children, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2015, 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 School'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 School'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 Eden II School for Autistic Children, Inc. as of June 30, 2015, and the results of its operations 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 School's 2014 financial statements, and we expressed an unmodified audit opinion on the School's audited financial statements in our report, dated December 1, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

November 30, 2015

Eden II School For Autistic Children, Inc.

Statement of Financial Position
(with comparative totals for 2014)

June 30,	**2015**	2014
Assets (Note 11)		
Current Assets:		
Cash and cash equivalents (Note 2)	**$ 603,678**	$ 743,618
Program services receivable, net (Notes 2 and 4)	**2,959,968**	2,984,607
Grants and contracts receivable (Note 5)	**3,348,382**	3,841,039
Prepaid expenses and other assets	**217,633**	298,835
Total Current Assets	**7,129,661**	7,868,099
Assets Whose Use is Limited	**359,698**	32,282
Debt Service Reserve Funds (Notes 3 and 6)	**1,151,658**	1,256,698
Debt Issuance Costs, Net of Accumulated Amortization of $42,931 (Note 2)	**839,148**	980,261
Property and Equipment, Net (Notes 2, 7, 8, 9 and 10)	**18,802,219**	16,140,495
	$28,282,384	$26,277,835
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 1,277,848**	$ 1,841,887
Accrued compensation	**1,976,768**	1,882,822
Due to state and local agencies	**1,102,760**	222,833
Due to related party, net, current portion (Note 17)	**25,000**	25,000
Due to DASNY, current portion (Note 8)	**19,300**	33,000
Bonds payable, current portion (Notes 9 and 19)	**265,000**	520,000
Mortgages and notes payable, current portion (Note 10)	**34,017**	110,151
Total Current Liabilities	**4,700,693**	4,635,693
Long-Term Liabilities:		
Interest rate swap liability (Note 2)	**-**	147,442
Due to related party, net, less current maturities (Note 17)	**2,006,479**	3,227,743
Due to DASNY, less current maturities (Note 8)	**-**	19,300
Loans payable (Note 12)	**3,519,825**	1,125,000
Bonds payable, less current maturities (Notes 9 and 19)	**9,327,459**	7,905,000
Mortgages and notes payable, less current maturities (Note 10)	**46,924**	1,254,127
Total Liabilities	**19,601,380**	18,314,305
Commitments and Contingencies (Notes 11, 15, 18 and 19)		
Net Assets:		
Unrestricted net assets (Note 2)	**8,075,679**	7,488,414
Temporarily restricted net assets (Note 16)	**605,325**	475,116
Total Net Assets	**8,681,004**	7,963,530
	$28,282,384	$26,277,835

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Activities
(with comparative totals for 2014)

Year ended June 30,	Unrestricted	Temporarily Restricted	Totals 2015	Totals 2014
Program Revenue:				
Program and public support services revenue (Note 13)	$26,305,563	$ -	**$26,305,563**	$25,430,769
Grants and contract services (Note 14)	616,045	-	**616,045**	687,012
Other revenue	400,724	-	**400,724**	331,509
Total Program Revenue	27,322,332	-	**27,322,332**	26,449,290
Expenses:				
Program services:				
Educational services	9,215,591	-	**9,215,591**	10,197,326
Residential services	7,221,327	-	**7,221,327**	7,571,838
Adult habilitational services	3,472,348	-	**3,472,348**	3,355,844
Family support	1,634,157	-	**1,634,157**	1,771,028
Community outreach	2,210,955	-	**2,210,955**	1,632,072
Total Program Services	23,754,378	-	**23,754,378**	24,528,108
Supporting services:				
Management and general	3,361,803	-	**3,361,803**	3,289,448
Fundraising	281,412	-	**281,412**	279,570
Total Supporting Services	3,643,215	-	**3,643,215**	3,569,018
Total Expenses	27,397,593	-	**27,397,593**	28,097,126
Change in Net Assets Before Non-operating Revenues	(75,261)	-	**(75,261)**	(1,647,836)
Non-operating Revenues:				
Contributions	223,013	130,209	**353,222**	3,254,182
(Loss) gain on swap agreement	(1,450)	-	**(1,450)**	11,101
Unrealized gain (loss) on debt service reserve funds	119	-	**119**	(2,191)
Gain on sale of asset (Note 7)	727,276	-	**727,276**	-
Loss on debt extinguishment (Note 9)	(286,432)	-	**(286,432)**	-
Total Non-operating Revenues	662,526	-	**792,735**	3,263,092
Change in Net Assets	587,265	130,209	**717,474**	1,615,256
Net Assets, Beginning of Year	7,488,414	475,116	**7,963,530**	6,348,274
Net Assets, End of Year	**$ 8,075,679**	**$605,325**	**$ 8,681,004**	$ 7,963,530

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Functional Expenses
(with comparative totals for 2014)

Year ended June 30,

	Program Services						Supporting Services		Totals	
	Educational	Residential	Adult Habilitational	Family Support	Community Outreach	Total Program Services	Management and General	Fundraising	**2015**	2014
Salaries and Wages and Fringe Benefits:										
Salaries and wages	$6,394,793	$4,484,817	$2,175,472	$1,214,393	$1,472,920	$15,742,395	$1,960,966	$208,481	**$17,911,842**	$18,042,937
Fringe benefits	1,690,629	1,066,627	545,978	279,074	353,991	3,936,299	402,950	53,304	**4,392,553**	4,995,985
Total Salaries and Wages and Fringe Benefits	8,085,422	5,551,444	2,721,450	1,493,467	1,826,911	19,678,694	2,363,916	261,785	**22,304,395**	23,038,922
Other Expenses:										
Food	437	221,210	790	3,210	27	225,674	2	-	**225,676**	232,859
Repairs and maintenance	167,709	172,878	89,794	8,063	20,849	459,293	57,283	-	**516,576**	522,509
Utilities	105,351	112,384	46,159	8,360	12,804	285,058	41,688	2,684	**329,430**	350,021
Travel	39,236	157,276	203,799	43,677	13,933	457,921	33,499	698	**492,118**	473,461
Staff training and development	7,139	7,258	2,748	2,243	5,179	24,567	24,144	600	**49,311**	61,817
Consultants and contractual services	46,751	21,260	-	-	300	68,311	181,676	1,492	**251,479**	221,133
Consumable supplies	123,889	235,254	122,125	44,626	20,356	546,250	43,304	2,641	**592,195**	580,908
Insurance	18,565	34,645	10,457	798	210	64,675	135,292	-	**199,967**	173,511
Professional fees	-	1,240	-	-	-	1,240	67,603	-	**68,843**	64,750
Rent	358,983	13,929	49,777	4,153	82,773	509,615	27,579	-	**537,194**	514,682
Interest	81,809	158,591	48,369	14,102	-	302,871	74,491	-	**377,362**	451,291
Facility tax	-	116,289	-	-	-	116,289	-	-	**116,289**	122,202
Miscellaneous	25,113	13,348	4,954	2,312	30,352	76,079	102,001	11,512	**189,592**	197,130
Depreciation	75,058	402,695	171,926	9,146	6,808	665,633	138,718	-	**804,351**	737,187
Bad debt expense	80,129	1,626	-	-	190,453	272,208	70,607	-	**342,815**	354,743
Total Expenses	**$9,215,591**	**$7,221,327**	**$3,472,348**	**$1,634,157**	**$2,210,955**	**$23,754,378**	**$3,361,803**	**$281,412**	**$27,397,593**	$28,097,126

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Cash Flows
(with comparative totals for 2014)

Year ended June 30,	**2015**	2014
Cash Flows From Operating Activities:		
Change in net assets	**$ 717,474**	$ 1,615,256
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**804,351**	678,561
Bad debt expense	**342,815**	354,743
Gain on swap agreement	**-**	(11,101)
Unrealized loss on debt service reserve funds	**1,331**	2,191
Loss on fixed asset	**727,276**	-
Gain on debt extinguishment	**(286,432)**	-
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Program services receivable	**(318,176)**	(239,322)
Grants and contracts receivable	**492,657**	(1,340,318)
Prepaid expenses and other assets	**81,202**	(43,291)
Assets whose use is limited	**(327,416)**	-
Debt service reserve funds	**103,709**	(1,506)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	**(564,039)**	659,950
Accrued compensation	**93,946**	32,225
Due to state and local agencies	**879,927**	147,313
Due to related party	**(1,221,264)**	2,831,697
Net Cash Provided By Operating Activities	**1,527,361**	4,686,398
Cash Flows From Investing Activities:		
Purchases of property and equipment	**(4,079,856)**	(4,971,091)
Cash Flows From Financing Activities:		
Debt issuance costs	**27,618**	58,624
Payments on mortgages and notes payable	**(996,905)**	(102,348)
Proceeds from line of credit	**9,194,825**	8,965,000
Repayments of line of credit	**(6,800,000)**	(7,840,000)
Payments to DASNY	**(33,000)**	(30,600)
Proceeds from bonds payable	**4,202,459**	-
Payments on bonds payable	**(3,035,000)**	(505,000)
Redemption on interest rate swap	**(147,442)**	-
Net Cash Provided By Financing Activities	**2,412,555**	545,676
(Decrease) Increase in Cash and Cash Equivalents	**(139,940)**	260,983
Cash and Cash Equivalents, Beginning of Year	**743,618**	482,635
Cash and Cash Equivalents, End of Year	**$ 603,678**	$ 743,618
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for Interest	**$ 170,649**	$ 425,356
Capitalized interest expense	**344,905**	162,768

See accompanying notes to financial statements.

1. Nature of Organization

Eden II School for Autistic Children, Inc. (the "School") is a nonprofit organization whose purpose is to provide instruction, respite and socialization programs for autistic and autistic-like school age and preschool children and adults. Services are also provided for day and vocational training. In addition, the School operates an Intermediate Care Facility and five residential care facilities.

The School provides a wide range of services to individuals with autism spectrum disorders or individuals with autistic-like communication and behavior disorders, as defined by the Autism Society of America. The School's students and adult consumers reside in New York City and the counties of Long Island.

Success in providing quality services lies in the School's commitment to state of the art programming. Applied Behavior Analysis, the only empirically validated intervention for individuals with autism, provides the framework for all of the School's programs. Treatment programs are tailored to fit the individual, and are implemented within a community-based context designed to facilitate community living. The goal for all of the School's consumers is independence and community integration.

The School provides the following range of services:

- Day school programs for pre-school and school age children.
- A vocational program for adolescents.
- Adult day training and day habilitation programs.
- Residential programs for adolescents and adults.
- Family support services.
- Community outreach services including parent training, community lectures and seminars, professional consultations, after-school services, and summer camps.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the School have been prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented, on a classified basis, 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 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 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 the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School 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 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 School considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

(d) Fair Value Measurement

Accounting Standards Codification ("ASC") 820-10, "Fair Value Measurement", defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820-10 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 820-10 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 School classifies fair value balances based on the fair value hierarchy defined by ASC 820-10 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.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(f) Program Services Receivable and Allowance for Doubtful Accounts

Program service receivables are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts.

Management specifically analyzes accounts receivable, historical bad debts, current funding trends and changes in payment terms and rates when evaluating the allowance for doubtful accounts.

(g) Pledges Receivable

Pledges receivable consist of unconditional promises to give. Pledges receivable expected to be collected within one year are recorded at net realizable value. Pledges receivable 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 a discount rate applicable to the year in which the promises are received.

(h) Derivative Instruments and Hedging Activities

The School accounts for interest rate swaps in accordance with ASC 815, "Accounting for Derivative Instruments and Certain Hedging Activities," as amended, which requires that all derivative instruments be recorded on the statement of financial position at their respective fair values. The fair value of the interest rate swap held is based on a value provided by a third-party financial institution. The School does not enter into derivative instruments for any purpose other than to limit the variability of a portion of its interest payments. That is, the School does not speculate using derivative instruments. For the year ended June 30, 2015, the interest rate swap was redeemed.

(i) Property and Equipment, Net

Purchases of property and equipment with a cost of $5,000 or higher are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Property and equipment is depreciated or amortized over the estimated useful lives of the underlying assets ranging from 5 to 25 years, using the straight-line method. Repairs and maintenance are charged to expense in the period incurred. Construction-in-progress is recorded at cost and includes capitalization of architecture, construction fees and interest cost during the construction period. Depreciation commences when construction is complete and the asset is placed into service.

(j) Impairment of Fixed Assets

The School 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 June 30, 2015, there have been no such losses.

(k) Debt Issuance Costs

Debt issuance costs are deferred and amortized on a straight-line basis over the life of the related debt. Amortization expense for the year ended June 30, 2015 was $141,113.

(l) Contributions

Contributions received and unconditional promises to give that are reasonably determinable are recorded as public support at fair value, as determined by management, 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. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. The School 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.

It is the School's policy to record temporarily restricted donations and contributions received in the same accounting period that the restriction is satisfied in unrestricted net assets at the time of donation.

The School 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 those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(m) Income Taxes

The School was incorporated in the state of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2015.

The School adopted the provisions of ASC 740, "Income Taxes", on January 1, 2009. 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 upon examination by a taxing authority. The implementation of ASC 740 had no impact on the School's financial statements. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the School has filed Internal Revenue Service Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2015, there were no interest or penalties recorded or included in the statement of activities. The School is subject to routine audits by taxing authorities. As of June 30, 2015, the School was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examinations for the years prior to 2012.

(n) Functional Allocation of Expenses

Expenses are recorded in the period incurred. Expenses are allocated into functional categories depending on the ultimate purpose of the expense.

3. Investments and Fair Value Measurements

The School'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 School'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 School'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.

The fair value of the money market funds, U.S. Treasury obligations and fixed income funds, which consist of debt service and debt service reserve funds held by the School have all been classified as Level 1 investments.

Below sets forth tables of assets and liabilities measured at fair value on a recurring basis as of June 30, 2015:

	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 Unobservable Inputs (Level 3)	Balance as of June 30, 2015
Assets				
Debt service reserve funds:				
Money market funds	$ 355,753	$-	$-	$ 355,753
U.S. Treasury obligations	1,155,603	-	-	1,155,603
	$1,511,356	$-	$-	$1,511,356

	Cost	Fair Market Value
Assets		
Money market fund	$ 355,753	$ 355,753
U.S. Treasury obligations	1,131,913	1,155,603
	$1,487,666	$1,511,356

4. Program Services Receivable

Program services receivable as of June 30, 2015 consist of the following:

June 30, 2015	Amount
New York City Board of Education	$ 825,305
Medicaid	1,654,596
Long Island School Districts	228,506
Other receivables	1,066,899
	3,775,306
Less: Allowance for doubtful accounts	(815,582)
Total	$2,959,724

5. Grants and Contracts Receivable

Grants and contracts receivable, net, as of June 30, 2015 consist of the following

June 30, 2015	
New York City Department of Health and Mental Hygiene ("NYC-DOHMH")	$ 360,011
Individuals with Disabilities Education Act ("IDEA")	8,394
New York State Office for People With Developmental Disabilities Family Support Services ("OPWDD")	16,070
Other	3,348,383
	3,732,858
Less: Allowance for doubtful accounts	(384,476)
Total	$3,348,382

6. Debt Service Reserve Funds and Assets Whose Use is Limited

The School has debt service reserve funds in connection with the Dormitory Authority of the State of New York ("DASNY") the New York City Industrial Development Agency ("IDA") and Build NYC bond issuances. These balances are limited under terms of debt indentures. The funds as of June 30, 2015 are as follows:

June 30, 2015		Assets Whose Use is Limited	Debt Service Reserve Funds
IDA	2004C	$ 32,282	$ 422,457
IDA	2004C	-	146,576
Build NYC	2013A	167,308	245,704
DASNY	2015A	160,108	336,921
		$359,698	$1,151,658

7. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following at June 30, 2015:

June 30, 2015	
Land	$ 1,487,524
Building and improvements	11,719,621
Equipment	1,353,243
	14,560,388
Less: Accumulated depreciation	(10,046,117)
Construction-in-progress	14,287,948
Total	$ 18,802,219

Depreciation and amortization expense for the year ended June 30, 2015 was $690,856. Management believes that the estimated cost to complete construction-in-progress is deminimus.

During the year, the School sold a building located at 45 Beach Street resulting in a gain of $727,276.

8. Due to DASNY

Due to DASNY as of June 30, 2015 consists of the following:

June 30, 2015	
The School has entered into a bond financing with DASNY in the amount of $399,500. This tax-exempt bond covers the purchase and renovation of the Carlton Boulevard Intermediate Care Facility located on Staten Island, New York, which serves as collateral against the bond. The bond will be paid to DASNY over a period of 25 years through August 1, 2015 and was paid subsequent to year end.	$19,300
Total	$19,300

9. Bonds Payable, Net

Bonds payable as of June 30, 2015 consist of the following:

June 30, 2015	
In August 2004, the School refinanced IDA bonds with the New York City IDA. These bonds are Special Needs Facilities Pooled Series 2004 C bond issues. The bonds consist of Series 2004 C-1 tax-exempt bonds in the amount of $3,630,000 and Series 2004 C-2 taxable bonds in the amount of $170,000. The proceeds of the bonds financed the cost of acquiring, equipping and renovating a building purchased by the School at 150 Granite Avenue, Staten Island, which serves as collateral for the bonds. Serial and term fixed rate bonds were issued at rates ranging from 4.5% to 6.625% through July 1, 2029. The debt service reserve fund is invested in U.S. Treasury obligations earning 3.125% until May 15, 2019, which is credited every year and will help to offset the net loan repayments. During the year ended June 30, 2015, none of the restricted cash was redeemed and applied towards the outstanding bond principal.	$2,160,000
In April 2013, the School and the Build NYC Resource Corporation issued Series 2013A-1 2013A-2 revenue bonds through the Special Needs Facilities Pooled Program in the amount of $3,305,000. The proceeds of the bonds are to finance the cost of acquiring, equipping and renovating a building purchased at 15 Beach Street.	3,230,000
In March 2015, DASNY issued $4,000,000 of bonds on behalf of the School that were purchased by a single bank. The transaction generated a $213,616 premium. The proceeds of the 2015 bonds were used to refinance the School's outstanding 2005A, 2006D, and 2007C Bonds along with an adjustable rate mortgage on a property owned by the School. The 2015 bonds have a term of 10 years and bear an annual interest rate ranging from 1.2% - 4.0%. The bonds are collateralized by the School's buildings at 106 Grayson Ave, 94 Wright Street, 131 Cambon Ave and 682 Collfield Avenue on Staten Island and 155 Dix Hills Road on Long Island.	4,000,000
Plus: Premium on 2015 bonds	202,459
	9,592,459
Less: Current maturities	(265,000)
	$9,327,459

The aggregate amounts of principal payments on the bonds payable during each of the five years following June 30, 2015 and thereafter are as follows:

Year ending June 30,	Amount
2016	$ 265,000
2017	720,000
2018	730,000
2019	730,000
2020	755,000
Thereafter	6,190,000
	9,390,000
Bond premium	202,459
Total bonds payable, net	$9,592,459

10. Mortgages Payable

Mortgages payable as of June 30, 2015 consist of the following:

June 30, 2015	
The School received a $354,750 mortgage loan from a financial institution for a building. The mortgage, due September 1, 2017, is payable in monthly installments of $3,263, including interest at 7.38% per annum. The School has the option to renew the loan for an additional five years. The loan is secured by the property on Dixon Avenue, Staten Island.	$ 80,941
Less: Current maturities	(34,017)
	$ 46,924

The aggregate amounts of principal payments on the long-term debt during each of the five years following June 30, 2015 and thereafter are as follows:

Year ending June 30,	Amount
2016	$34,017
2017	36,931
2018	9,993
	$80,941

11. Line of Credit

The School executed a line of credit for $3,000,000 with a bank, which expires on January 1, 2016. The agreement requires interest to be charged at a rate equal to the bank's prime rate plus 1.75%, with a minimum rate of 6% (6% as of June 30, 2015). The line is secured by a general lien. As of June 30, 2015, there was no balance outstanding on the line of credit.

12. Loans Payable

The School obtained a bridge loan from FJC, a Foundation of Philanthropic Funds, amounting to $4,730,000 for the renovation of 15 Beach Street for use as a School and agency headquarters. As of June 30, 2015, $2,827,363 was drawn on the loan. The loan has a maturity date of March 31, 2017 and interest is payable quarterly at the prime rate published in the Wall Street Journal (3.25% at June 30, 2015) plus 3%.

The School obtained a bridge loan from FJC, a Foundation of Philanthropic Funds, amounting to $1,352,100 for repairs and renovations of Individual Residential Apartments at Sherwood Avenue. As of June 30, 2015, $692,462 was drawn on the loan. The loan has a maturity date of November 7, 2016 and interest is payable quarterly at the prime rate published in the Wall Street Journal (3.25% at June 30, 2015) plus 3%.

13. Program and Public Support Services Revenue

For the year ended June 30, 2015, program and public support services revenue consists of the following:

Year ended June 30, 2015	
New York City Office of People With Developmental Disabilities (“OPWDD”):	
Medicaid	$13,531,060
Other	129,880
New York City Board of Education	8,428,358
Long Island School Districts	1,831,866
Other revenue	113,571
Outreach and Consulting	2,270,828
	$26,305,563

Medicaid revenue is reimbursed to the School at the net reimbursement rates as determined by each program's cost report. Reimbursement rates are subject to revisions under the provisions of cost reimbursement regulations. Adjustments for the State Education Department rate reconciliation are recognized in the year reconciled.

Certain programs of the School are funded by the OPWDD and are eligible for property cost reimbursement. Once the rates have been finalized by the OPWDD, the School receives additional revenue through a rate adjustment for these programs. The financial statements include the cost of the projects. The revenue is recorded once received by the School.

14. Grants and Contract Services

For the year ended June 30, 2015, grants and contract service revenues consist of the following:

Year ended June 30, 2015	
Education:	
IDEA	$193,185
Other	221,751
OPWDD and NYC-DOHMH	201,109
	$616,045

15. Pension Plan

The School has a Federally qualified defined contribution pension plan covering substantially all full-time employees who meet certain eligibility requirements. The amount contributed to the plan is a fixed percentage of participants' compensation. Pension expense amounted to $363,490 for the year ended June 30, 2015.

16. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2015 are available for the following purposes:

June 30, 2015	
NYC Adult Services	$425,116
Residential Services	83,951
Wright Avenue Facility	50,000
Day Habilitation Serves	31,085
Educational Services	10,961
Other	4,212
	$605,325

For the year ended June 30, 2015, there were no releases from restriction.

17. Related Party Transactions

The Foundation for the Advancement of Autistic Persons, Inc. (the “Foundation”), which was established to solicit charitable contributions and other funds, and provide other benefits and support the mission of the School and other organizations dedicated to the support of individuals with autism, shares certain members of management with the School. The Foundation provides an operational line of credit to the School of $1,000,000. As of June 30, 2015 and 2014, the outstanding balance of the line was $-0- and $1,000,000, respectively. While there is no defined repayment term, there is a requirement that the advance be fully paid at least twice during each fiscal year.

The Foundation provides advances with no stated due date to the School. At June 30, 2015, the balance of this advance was $1,832,100. The Foundation requires that $25,000 be repaid each year. The remaining portion has no specified due date.

These advances have no defined repayment terms; however, the Foundation anticipates repayment of the advance upon completion of the construction, and receipt of outstanding pledges and grants by the School.

The remainder of the $199,379 balance of the amount due to the Foundation represents the net amounts due for operating matters offset by amounts due to the School.

The School provides management and personnel services to the Foundation. The Foundation incurred $100,000 for these services for the year ended June 30, 2015.

18. Commitments and Contingencies

(a) The School's program costs are subject to audit by various government agencies. In the opinion of the School management, any liabilities which might be incurred would not have a material effect on the School's financial position or results of operations.

(b) The School has lease agreements for rental space which expire at various dates through 2019. Rent expense for the year ended June 30, 2015 was $485,967. In addition to these facilities, the School leases equipment and vehicles under noncancelable operating leases. Noncancelable minimum lease payments are as follows:

Year ending June 30,	Amount
2016	$289,336
2017	285,874
2018	202,036

(c) The School is currently in the process of reconciling pre-operational costs (final expenditure reports) with the OPWDD for properties located at:

a) 131 Cambon Avenue, St. James, New York

b) 155 Dix Hills Road, Huntington, New York

c) 682 Collfield Avenue, Staten Island, New York

The estimated recovery of pre-operational costs is approximately $500,000. These amounts have not been recorded in the financial statements.

As of the financial statement date, the School also has outstanding rate appeals for fiscal years ended June 30, 2009 and 2010.

19. Concentrations of Credit Risk

Financial instruments, which potentially subject the School to credit risk, consist principally of temporary cash investments. The School places its temporary cash investments with various financial institutions. The School maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits.

20. Subsequent Events

The School's management has performed subsequent events procedures through November 30, 2015, 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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Eden II School For Autistic Children, Inc.

Financial Statements
Year Ended June 30, 2014

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.

Eden II School For Autistic Children, Inc.

Financial Statements
Year Ended June 30, 2014

Eden II School For Autistic Children, Inc.

Contents

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100 Park Avenue
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Independent Auditor's Report

Board of Trustees
Eden II School for Autistic Children, Inc.
Staten Island, New York

We have audited the accompanying financial statements of Eden II School for Autistic Children, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2014, 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 School'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 School'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 Eden II School for Autistic Children, Inc. as of June 30, 2014, and the results of its operations 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 School's 2013 financial statements, and we expressed an unmodified audit opinion on the School's audited financial statements in our report, dated November 26, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

December 1, 2014

Eden II School For Autistic Children, Inc.

Statement of Financial Position
(with comparative totals for 2013)

June 30,	**2014**	2013
Assets (Note 11)		
Current Assets:		
Cash and cash equivalents (Note 2)	**$ 743,618**	$ 482,635
Program services receivable, net of allowance for doubtful accounts of $1,215,859 (Notes 3 and 4)	**2,984,607**	3,100,028
Grants and contracts receivable, net of allowance for doubtful accounts of $308,685 (Note 5)	**3,841,039**	2,500,721
Prepaid expenses and other assets	**298,835**	255,544
Total Current Assets	**7,868,099**	6,338,928
Debt Service Reserve Funds (Note 6)	**1,288,980**	1,276,065
Deferred Debt Issuance Costs, Net of Accumulated Amortization of $542,204 (Note 2)	**980,261**	1,038,885
Property and Equipment, Net (Notes 2, 7, 8, 9 and 10)	**16,140,495**	11,861,565
	$26,277,835	$20,515,443
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 1,896,905**	$1,236,955
Accrued compensation	**1,827,804**	1,795,579
Due to state and local agencies	**222,833**	75,520
Due to related party, current portion (Note 16)	**25,000**	25,000
Due to DASNY, current portion (Note 8)	**33,000**	30,600
Bonds payable, current portion (Notes 9 and 18)	**520,000**	505,000
Mortgages and notes payable, current portion (Note 10)	**110,151**	108,174
Total Current Liabilities	**4,635,693**	3,776,828
Long-Term Liabilities:		
Interest rate swap liability (Notes 2, 3 and 17)	**147,442**	158,543
Due to related party, less current maturities (Note 16)	**3,227,743**	396,046
Due to DASNY, less current maturities (Note 8)	**19,300**	52,300
Loan payable	**1,125,000**	-
Bonds payable, less current maturities (Notes 9 and 18)	**7,905,000**	8,425,000
Mortgages and notes payable, less current maturities (Note 10)	**1,254,127**	1,358,452
Total Liabilities	**18,314,305**	14,167,169
Commitments and Contingencies (Notes 14 and 18)		
Net Assets:		
Unrestricted net assets (Note 2)	**7,488,414**	5,873,158
Temporarily restricted net assets (Note 15)	**475,116**	475,116
Total Net Assets	**7,963,530**	6,348,274
	$26,277,835	$20,515,443

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Activities
(with comparative totals for 2013)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Totals 2014	Totals 2013
Changes in Unrestricted Net Assets:				
Revenue:				
Program and public support services revenue (Note 12)	$24,132,291	$ -	**$24,132,291**	$24,113,351
Grants and contract services (Note 13)	1,961,198	-	**1,961,198**	1,938,410
Other revenue	452,241	-	**452,241**	403,144
Total Revenue	26,545,730	-	**26,545,730**	26,454,905
Expenses:				
Program services:				
Educational services	9,628,453	-	**9,628,453**	9,351,802
Residential services	7,925,935	-	**7,925,935**	7,262,866
Adult habilitational services	3,621,281	-	**3,621,281**	3,077,458
Family support	1,771,649	-	**1,771,649**	1,969,331
Community outreach	1,631,438	-	**1,631,438**	1,184,615
Total Program Services	24,578,756	-	**24,578,756**	22,846,072
Supporting services:				
Management and general	3,238,187	-	**3,238,187**	3,474,662
Fundraising	279,335	-	**279,335**	329,079
Total Supporting Services	3,517,522	-	**3,517,522**	3,803,741
Total Expenses	28,096,278	-	**28,096,278**	26,649,813
Change in Net Assets Before Non-operating Revenues	(1,550,548)	-	**(1,550,548)**	(194,908)
Non-operating Revenues:				
Contributions	3,156,894	-	**3,156,894**	1,954,836
Gain on swap agreement	11,101	-	**11,101**	94,080
Unrealized loss on debt service reserve funds	(2,191)	-	**(2,191)**	(33,651)
Total Non-operating Revenues	3,165,804	-	**3,165,804**	2,015,265
Change in Net Assets	1,615,256	-	**1,615,256**	1,820,357
Net Assets, Beginning of Year	5,873,158	475,116	**6,348,274**	4,527,927
Net Assets, End of Year	**$7,488,414**	**$475,116**	**$ 7,963,530**	$ 6,348,284

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Functional Expenses
(with comparative totals for 2013)

Year ended June 30,

	Program Services						Supporting Services		Totals	
	Educational	Residential	Adult Habilitational	Family Support	Community Outreach	Total Program Services	Management and General	Fundraising	**2014**	2013
Salaries and Wages and Fringe Benefits:										
Salaries and wages	$6,576,421	$4,577,606	$2,360,127	$1,298,754	$1,135,945	$15,948,853	$1,898,568	$195,515	**$18,042,936**	$17,520,728
Fringe benefits	1,978,926	1,247,764	550,065	329,365	316,642	4,422,762	523,374	52,917	**4,999,053**	4,727,558
Total Salaries and Wages and Fringe Benefits	8,555,347	5,825,370	2,910,192	1,628,119	1,452,587	20,371,615	2,421,942	248,432	**23,041,989**	22,248,286
Other Expenses:										
Food	248	230,057	383	2,170	-	232,858	-	-	**232,858**	216,541
Repairs and maintenance	168,037	139,894	71,771	8,640	18,864	407,206	40,132	-	**447,338**	371,583
Utilities	116,496	117,893	56,313	10,873	6,799	308,374	39,756	1,892	**350,022**	312,903
Travel	29,124	158,086	180,291	55,451	11,157	434,109	38,532	822	**473,463**	442,109
Staff training and development	7,579	7,424	3,345	3,108	10,406	31,862	27,520	2,435	**61,817**	52,953
Consultants and contractual services	18,191	22,868	-	-	5,416	46,475	173,007	1,653	**221,135**	197,022
Consumable supplies	154,790	279,577	111,241	29,754	31,015	606,377	44,805	4,825	**656,007**	578,217
Insurance	20,055	30,663	9,623	1,282	574	62,197	111,370	-	**173,567**	126,355
Professional fees	-	2,500	-	-	-	2,500	62,250	-	**64,750**	130,225
Rent	364,309	13,584	45,418	3,063	64,884	491,258	23,425	-	**514,683**	453,857
Interest	85,289	191,962	64,175	14,973	-	356,399	68,957	-	**425,356**	438,049
Facility tax	-	122,202	-	-	-	122,202	-	-	**122,202**	119,168
Miscellaneous	24,342	17,859	8,191	2,283	24,793	77,468	96,482	19,276	**193,226**	149,598
Depreciation	84,646	413,507	160,338	11,933	2,689	673,113	90,009	-	**763,122**	812,953
Bad debt expense	-	352,489	-	-	2,254	354,743	-	-	**354,743**	-
Total Expenses	**$9,628,453**	**$7,925,935**	**$3,621,281**	**$1,771,649**	**$1,631,438**	**$24,578,756**	**$3,238,187**	**$279,335**	**$28,096,278**	$26,649,819

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Cash Flows
(with comparative totals for 2013)

Year ended June 30,	**2014**	2013
Cash Flows From Operating Activities:		
Change in net assets	**$ 1,615,256**	$ 1,820,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**678,561**	783,904
Bad debt expense	**354,743**	-
Gain on swap agreement	**(11,101)**	(94,080)
Unrealized loss on debt service reserve funds	**2,191**	33,651
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Program services receivable	**(239,322)**	993,189
Grants and contracts receivable	**(1,340,318)**	457,927
Pledges receivable	**-**	43,427
Prepaid expenses and other assets	**(43,291)**	(102,639)
Debt service reserve funds	**(15,106)**	(270,144)
Deferred issuance costs	**58,624**	(459,349)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**659,950**	138,180
Accrued compensation	**32,225**	668,037
Due to state and local agencies	**147,313**	(43,312)
Due to related party	**2,831,697**	(1,750,904)
Net Cash Provided By Operating Activities	**4,731,422**	2,218,234
Cash Flows From Investing Activities:		
Purchases of property and equipment	**(4,957,491)**	(713,489)
Change in restricted cash - escrow	**-**	245,000
Net Cash Used In Investing Activities	**(4,957,491)**	(468,489)
Cash Flows From Financing Activities:		
Payments on mortgages and notes payable	**(102,348)**	(4,439,360)
Proceeds from line of credit	**8,965,000**	3,550,000
Repayments of line of credit	**(7,840,000)**	(3,550,000)
Payments to DASNY	**(30,600)**	(28,300)
Proceeds from bonds payable	**-**	3,305,000
Payments on bonds payable	**(505,000)**	(420,000)
Net Cash Provided By (Used In) Financing Activities	**487,052**	(1,582,660)
Increase in Cash and Cash Equivalents	**260,983**	167,085
Cash and Cash Equivalents, Beginning of Year	**482,635**	315,550
Cash and Cash Equivalents, End of Year	**$ 743,618**	$ 482,635
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for Interest	**$ 425,356**	$ 438,049

See accompanying notes to financial statements.

1. Nature of Organization

Eden II School for Autistic Children, Inc. (the “School”) is a nonprofit organization whose purpose is to provide instruction, respite and socialization programs for autistic and autistic-like school age and preschool children and adults. Services are also provided for day and vocational training. In addition, the School operates an Intermediate Care Facility and five residential care facilities.

The School provides a wide range of services to individuals with autism spectrum disorders or individuals with autistic-like communication and behavior disorders, as defined by the Autism Society of America. The School's students and adult consumers reside in New York City and the counties of Long Island.

Success in providing quality services lies in the School's commitment to state of the art programming. Applied Behavior Analysis, the only empirically validated intervention for individuals with autism, provides the framework for all of the School's programs. Treatment programs are tailored to fit the individual, and are implemented within a community-based context designed to facilitate community living. The goal for all of the School's consumers is independence and community integration.

The School provides the following range of services:

- Day school programs for pre-school and school age children.
- A vocational program for adolescents.
- Adult day training and day habilitation programs.
- Residential programs for adolescents and adults.
- Family support services.
- Community outreach services including parent training, community lectures and seminars, professional consultations, after-school services, and summer camps.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the School have been prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented, on a classified basis, 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 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 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 the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School 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 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 School considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

(d) Fair Value Measurement

Accounting Standards Codification ("ASC") 820-10, "Fair Value Measurement", defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820-10 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 820-10 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 School classifies fair value balances based on the fair value hierarchy defined by ASC 820-10 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.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(f) Program Service Receivables and Allowance for Doubtful Accounts

Program service receivables are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts.

Management specifically analyzes accounts receivable, historical bad debts, current funding trends and changes in payment terms and rates when evaluating the allowance for doubtful accounts.

(g) Pledges Receivable

Pledges receivable consist of unconditional promises to give. Pledges receivable expected to be collected within one year are recorded at net realizable value. Pledges receivable 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 a discount rate applicable to the year in which the promises are received.

(h) Derivative Instruments and Hedging Activities

The School accounts for interest rate swaps in accordance with ASC 815, "Accounting for Derivative Instruments and Certain Hedging Activities," as amended, which requires that all derivative instruments be recorded on the statement of financial position at their respective fair values. The fair value of the interest rate swap held is based on a value provided by a third-party financial institution. The School does not enter into derivative instruments for any purpose other than to limit the variability of a portion of its interest payments. That is, the School does not speculate using derivative instruments.

(i) Property and Equipment, Net

Purchases of property and equipment with a cost of $1,000 or higher are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Property and equipment is depreciated or amortized over the estimated useful lives of the underlying assets ranging from 5 to 25 years, using the straight-line method. Repairs and maintenance are charged to expense in the period incurred. Construction-in-progress is recorded at cost and includes capitalization of architecture, construction fees and interest cost during the construction period. Depreciation commences when construction is complete and the asset is placed into service.

(j) Impairment of Fixed Assets

The School 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 June 30, 2014, there have been no such losses.

(k) Debt Issuance Costs

Debt issuance costs are deferred and amortized on a straight-line basis over the life of the related debt. Amortization expense for the year ended June 30, 2014 was $58,624.

(l) Contributions

Contributions received and unconditional promises to give that are reasonably determinable are recorded as public support at fair value, as determined by management, 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. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. The School 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.

It is the School's policy to record temporarily restricted donations and contributions received in the same accounting period that the restriction is satisfied in unrestricted net assets at the time of donation.

The School 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 those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(m) Income Taxes

The School was incorporated in the state of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2014.

The School adopted the provisions of ASC 740, "Income Taxes", on January 1, 2009. 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 upon examination by a taxing authority. The implementation of ASC 740 had no impact on the School's financial statements. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the School has filed Internal Revenue Service Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2014, there were no interest or penalties recorded or included in the statement of activities. The School is subject to routine audits by taxing authorities. As of June 30, 2014, the School was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examinations for the years prior to 2011.

(n) Functional Allocation of Expenses

Expenses are recorded in the period incurred. Expenses are allocated into functional categories depending on the ultimate purpose of the expense.

3. Investments and Fair Value Measurements

The School's assets and liabilities 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 School's policies regarding this hierarchy.

The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The School'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.

The fair value of the money market funds, U.S. Treasury obligations and fixed income funds, which consist of debt service reserve funds held by the School and an interest rate swap, are estimated using Level 2 inputs, which are based on model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Below sets forth tables of assets and liabilities measured at fair value on a recurring basis as of June 30, 2014:

	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 Unobservable Inputs (Level 3)	Balance as of June 30, 2014
Assets				
Debt service reserve funds:				
Money market funds	$ 382,753	$ -	$-	$ 382,753
U.S. Treasury obligations	685,552	-	-	685,552
Fixed income funds	220,675	-	-	220,675
	$1,288,980	$ -	$-	$1,288,980
Liabilities				
Interest rate swap	$ -	$158,543	$-	$ 158,543

4. Program Services Receivable

Program services receivable as of June 30, 2014 consist of the following:

June 30, 2014	Amount
New York City Board of Education	$ 1,015,881
Medicaid	2,030,485
Long Island School Districts	254,307
Other receivables	899,793
	4,200,466
Less: Allowance for doubtful accounts	(1,215,859)
Total	$ 2,984,607

5. Grants and Contracts Receivable

Grants and contracts receivable, net, as of June 30, 2014 consist of the following

June 30, 2014	
New York City Department of Health and Mental Hygiene ("NYC-DOHMH")	$ 441,026
Individuals with Disabilities Education Act ("IDEA")	137,202
New York State Office for People With Developmental Disabilities Family Support Services	32,650
Legislative grants	3,121,894
Other	416,952
	4,149,724
Less: Allowance for doubtful accounts	(308,685)
Total	$3,841,039

6. Debt Service Reserve Funds

The School has debt service reserve funds in connection with the Dormitory Authority of the State of New York ("DASNY") and the New York City Industrial Development Agency ("IDA") bond issuances. These balances are limited under terms of debt indentures. The funds as of June 30, 2014 are as follows:

June 30, 2014				
DASNY		381 Carlton Boulevard	Staten Island	$ 32,282
IDA	2004C	150 Granite Avenue	Staten Island	411,532
IDA	2005A	106 Grayson Street and 94 Wright Avenue	Staten Island	350,471
IDA	2006D	155 Dix Hills Road	Huntington	117,717
IDA	2007C	131 Cambon Avenue	Saint James	131,300
IDA	2013A	15 Beach Street	Staten Island	245,678
				$1,288,980

7. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following at June 30, 2014:

June 30, 2014	
Land	$ 1,487,524
Building and improvements	11,700,771
Equipment	1,343,262
Construction-in-progress	10,964,082
	25,495,639
Less: Accumulated depreciation	(9,355,144)
Total	$16,140,495

Depreciation and amortization expense for the year ended June 30, 2014 was $678,561. Management believes that the estimated cost to complete construction-in-progress is approximately $4,150,000.

8. Due to DASNY

Due to DASNY as of June 30, 2014 consists of the following:

June 30, 2014	
The School has entered into a bond financing with DASNY in the amount of $399,500. This tax-exempt bond covers the purchase and renovation of the Carlton Boulevard Intermediate Care Facility located on Staten Island, New York, which serves as collateral against the bond. The bond will be paid to DASNY over a period of 25 years through June 1, 2015.	$ 52,300
Less: Current maturities	(33,000)
Total	$ 19,300

The aggregate amounts of principal payments due to DASNY during each of the years following June 30, 2014 and thereafter are as follows:

Year ending June 30,	Amount
2016	$19,300

9. Bonds Payable

Bonds payable as of June 30, 2014 consist of the following:

June 30, 2014	
In August 2004, the School refinanced the IDA bonds with the New York City IDA. These bonds are Special Needs Facilities Pooled Series 2004 C bond issues. The bonds consist of Series 2004 C-1 tax-exempt bonds in the amount of $3,630,000 and Series 2004 C-2 taxable bonds in the amount of $170,000. The proceeds of the bonds financed the cost of acquiring, equipping and renovating a building purchased by the School at 150 Granite Avenue, Staten Island, which serves as collateral for the bonds. Serial and term fixed rate bonds were issued at rates ranging from 4.5% to 6.625% through July 1, 2029. The debt service reserve fund is invested in U.S. Treasury obligations earning 3.125% until May 15, 2019, which is credited every year and will help to offset the net loan repayments. During the year ended June 30, 2014, approximately $70,000 of the restricted cash was redeemed and applied towards the outstanding bond principal.	$2,160,000

June 30, 2014	
In March 2005, the School, through the InterAgency Council of Mental Retardation and Developmental Disabilities and the New York City Special Needs Facilities Program, issued Series 2005 A-1 tax-exempt bonds in the amount of $3,465,000 and Series 2005 A-2 taxable bonds in the amount of $170,000. The proceeds of the bonds financed the cost of acquiring, equipping and renovating buildings purchased by the School at 106 Grayson Avenue and 94 Wright Avenue; the properties serve as collateral for the bonds. Serial and term fixed rate bonds were issued at rates ranging from 3.1% to 4.75% through July 1, 2020. The debt service reserve fund is invested in money market funds at the trustee, Bank of New York Mellon. Interest is credited every year and will help to offset the net loan repayments.	$1,710,000
In June 2006, the School, through the InterAgency Council of Mental Retardation and Developmental Disabilities and the Suffolk County Industrial Development Agency Special Needs Facilities Program, issued Series 2006 D-1 tax-exempt bonds in the amount of $965,000 and Series 2006 D-2 taxable bonds in the amount of $55,000. The proceeds of the bonds financed the cost of acquiring, equipping and renovating a building, which included property and equipment, purchased by the School at 155 Dix Hills Road. The property serves as collateral for the bonds. The facility is leased to the School for a period of 13 years, expiring July 1, 2019. Lease payments are equal to IDA's interest and principal on the bonds. At the expiration of the 13 year term to IDA's interest and principal on the bonds, ownership of the facility reverts to the School for $1. Serial and term fixed rate bonds were issued at rates ranging from 4.15% to 6.05% through July 1, 2019. The debt service reserve fund is invested in government-backed securities earning 4.875% annually through September 27, 2018, which is credited every year and helps to offset the net loan payments.	470,000
In January 2007, the School and the Suffolk County Industrial Development Agency Special Needs Facilities Program issued Series 2007 C-1 tax-exempt bonds in the amount of $1,360,000 and Series 2007 C-2 taxable bonds in the amount of $100,000. The proceeds of the bonds are to finance the cost of acquiring, equipping and renovating a building purchased by the School at 131 Cambon Avenue. The property serves as collateral for the bonds. Serial and term fixed rate bonds were issued at rates ranging from 4.1% to 5.25% through July 1, 2022. The debt service reserve fund is invested in government-backed securities earning 3.75% annually through March 27, 2019, which is credited every year and helps to offset the net loan repayments.	855,000
In April 2013, the School and the Build NYC Resource Corporation issued Series 2013A-1 2013A-2 revenue bonds through the Special Needs Facilities Pooled Program in the amount of $3,305,000. The proceeds of the bonds are to finance the cost of acquiring, equipping and renovating a building purchased at 15 Beach Street.	3,230,000
	8,425,000
Less: Current maturities	(520,000)
	$7,905,000

The aggregate amounts of principal payments on the bonds payable during each of the five years following June 30, 2014 and thereafter are as follows:

Year ending June 30,	Amount
2015	$ 520,000
2016	540,000
2017	560,000
2018	570,000
2019	710,000
Thereafter	5,525,000
	$8,425,000

10. Mortgages and Notes Payable

Mortgages and notes payable as of June 30, 2014 consist of the following:

June 30, 2014	
The School received a $354,750 mortgage loan from a financial institution for a building. The mortgage, due September 1, 2017, is payable in monthly installments of $3,263, including interest at 7.38% per annum. The School has the option to renew the loan for an additional five years. The loan is secured by the property on Dixon Avenue, Staten Island.	$ 112,843
The School executed a 15 year term note (the "Collfield Note") adjustable every five years, interest to be charged at a rate equal to one (1) month LIBOR, plus 4.00% per annum (4.2% as of June 30, 2013), which matures on December 15, 2024. The monthly payment approximates $14,160. This debt is secured by the property at 682 Collfield Avenue, Staten Island and with a general lien.	1,251,435
	1,364,278
Less: Current maturities	(110,151)
	$1,254,127

The aggregate amounts of principal payments on the long-term debt during each of the five years following June 30, 2014 and thereafter are as follows:

Year ending June 30,	Amount
2015	$ 110,151
2016	118,963
2017	128,561
2018	108,546
2019	787,947
Thereafter	1,364,278

The Collfield Note has a variable rate which exposes the School to a variability in interest payments due to changes in interest rates. The School believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, the School entered into an interest rate swap agreement to manage fluctuations in cash flows resulting from interest rate risk. The swap changes a portion of the variable rate cash flow exposure on the note to fixed cash flows. Under the terms of the rate swap, the School receives variable interest rate payments and makes fixed interest rate payments on a notional principal amount, thereby creating the equivalent of fixed-rate debt (see Note 18).

11. Line of Credit

The School has executed a line of credit for $2,000,000 with a bank, which expires on January 1, 2014. The agreement requires interest to be charged at a rate equal to the bank's prime rate plus 1.75%, with a minimum rate of 6.00% (6.00% as of June 30, 2014). The line is secured by a general lien. As of June 30, 2014, there was no balance outstanding on the line of credit.

The School obtained a bridge loan from FJC, a Foundation of Philanthropic Funds, amounting to $4,730,000 for the renovation of 15 Beach Street for use as a School and agency headquarters. As of June 30, 2014, $1,125,000 was drawn on the loan. The loan has a maturity date of March 31, 2017 and interest is payable quarterly at the prime rate published in the Wall Street Journal (3.25% at June 30, 2014) plus 3%.

12. Program and Public Support Services Revenue

For the year ended June 30, 2014, program and public support services revenue consists of the following:

Year ended June 30, 2014	
New York City Office of People With Developmental Disabilities ("OPWDD"):	
Medicaid	$13,123,945
Other	460,940
New York City Board of Education	8,636,676
Long Island School Districts	1,778,064
Other revenue	132,666
	$24,132,291

Medicaid revenue is reimbursed to the School at the net reimbursement rates as determined by each program's cost report. Reimbursement rates are subject to revisions under the provisions of cost reimbursement regulations. Adjustments for the State Education Department rate reconciliation are recognized in the year reconciled.

Certain programs of the School are funded by the OPWDD and are eligible for property cost reimbursement. Once the rates have been finalized by the OPWDD, the School receives additional revenue through a rate adjustment for these programs. The financial statements include the cost of the projects. The revenue is recorded once received by the School.

13. Grants and Contract Services

For the year ended June 30, 2014, grants and contract service revenues consist of the following:

Year ended June 30, 2014	
Consulting and Outreach	$1,313,186
Education:	
IDEA	201,428
Other	135,394
OPWDD and NYC-DOHMH	311,190
	$1,961,198

14. Pension Plan

The School has a Federally qualified defined contribution pension plan covering substantially all full-time employees who meet certain eligibility requirements. The amount contributed to the plan is a fixed percentage of participants' compensation. Pension expense amounted to $426,951 for the year ended June 30, 2014.

15. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2014 are available for the following purposes:

June 30, 2014	
NYC Adult Services	$425,116
Wright Avenue Facility	50,000
	$475,116

For the year ended June 30, 2014, there were no releases from restriction.

16. Related Party Transactions

The Foundation for the Advancement of Autistic Persons, Inc. (the "Foundation"), which was established to solicit charitable contributions and other funds, and provide other benefits and support the mission of the School and other organizations dedicated to the support of individuals with autism, shares certain members of management with the School. The School provides management and personnel services to the Foundation. Income for these services was $100,000 for the year ended June 30, 2014. At June 30, 2014, the amount due to the School from the Foundation was $1,945,316.

The Foundation provides advances with no stated due date to the School. At June 30, 2014, the balance of this advance was $5,198,059. The Foundation requires that $25,000 be repaid each year. The remaining portion has no specified due date.

17. Derivative Financial Instruments

The School has entered into an interest rate swap agreement to limit the effects of increases in interest rates on a variable rate bond. The change in fair value of the interest rate swap is recognized in the statement of activities. The differential is accrued as interest rates change.

The terms of the swap agreement are summarized below:

June 30, 2014

	Notional Amount	Fair Value
Interest rate swap agreement with Sovereign Bank. The bank pays a variable rate of interest based on U.S. LIBOR with a fixed rate of 8.05%. The agreement provides for monthly settlement and matures in December 2024.	$1,324,133	$1,251,976

18. Commitments and Contingencies

(a) The School's program costs are subject to audit by various government agencies. In the opinion of the School management, any liabilities which might be incurred would not have a material effect on the School's financial position or results of operations.

(b) The School has lease agreements for rental space which expire at various dates through 2019. Rent expense for the year ended June 30, 2014 was $462,174. In addition to these facilities, the School leases equipment and vehicles under noncancelable operating leases. Noncancelable minimum lease payments are as follows:

Year ending June 30,	Amount
2015	$ 348,334
2016	289,334
2017	285,874
2018	288,489
2019	299,462
Thereafter	869,418
	$2,380,911

(c) The School is currently in the process of reconciling pre-operational costs (final expenditure reports) with the OPWDD for properties located at:

a) 131 Cambon Avenue, St. James, New York

b) 155 Dix Hills Road, Huntington, New York

c) 682 Collfield Avenue, Staten Island, New York

The estimated recovery of pre-operational costs is approximately $500,000. These amounts have not been recorded in the financial statements.

As of the financial statement date, the School also has outstanding rate appeals for fiscal years ended June 30, 2009 and 2010.

19. Concentrations of Credit Risk

Financial instruments, which potentially subject the School to credit risk, consist principally of temporary cash investments. The School places its temporary cash investments with various financial institutions. The School maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits.

20. Subsequent Events

The School's management has performed subsequent events procedures through December 1, 2014, 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.

Eden II School For Autistic Children, Inc.

Financial Statements
Year Ended June 30, 2013

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.

BDO

Eden II School For Autistic Children, Inc.

Financial Statements
Year Ended June 30, 2013

Eden II School For Autistic Children, Inc.

Contents

BDO

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100 Park Avenue
New York, NY 10017

Independent Auditor's Report

Board of Trustees
Eden II School for Autistic Children, Inc.
Staten Island, New York

We have audited the accompanying financial statements of Eden II School for Autistic Children, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2013, 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 School'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 School'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 Eden II School for Autistic Children, Inc. as of June 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

November 26, 2013

Eden II School For Autistic Children, Inc.

Statement of Financial Position

June 30, 2013	
Assets (Note 11)	
Current Assets:	
Cash and cash equivalents (Note 2)	$ 482,635
Program services receivable, net of allowance for doubtful accounts of $821,949 (Notes 3 and 4)	3,636,125
Grants and contracts receivable, net of allowance for doubtful accounts of $347,852 (Note 5)	1,960,867
Prepaid expenses and other assets	259,301
Total Current Assets	6,338,928
Debt Service Reserve Funds (Note 6)	1,276,065
Debt Issuance Costs, Net of Accumulated Amortization of $483,580 (Note 2)	1,038,885
Property and Equipment, Net (Notes 2, 7, 8, 9 and 10)	11,861,565
	$20,515,443
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable and accrued expenses	$ 1,236,955
Accrued compensation	1,795,579
Due to state and local agencies	75,520
Due to related party, current portion (Note 16)	25,000
Due to DASNY, current portion (Note 8)	30,600
Bonds payable, current portion (Notes 9 and 18)	505,000
Mortgages and notes payable, current portion (Note 10)	108,174
Total Current Liabilities	3,776,828
Long-Term Liabilities:	
Interest rate swap liability (Notes 2, 3 and 17)	158,543
Due to related party, less current maturities (Note 16)	396,046
Due to DASNY, less current maturities (Note 8)	52,300
Bonds payable, less current maturities (Notes 9 and 18)	8,425,000
Mortgages and notes payable, less current maturities (Note 10)	1,358,452
Total Liabilities	14,167,169
Commitments and Contingencies (Notes 14 and 18)	
Net Assets:	
Unrestricted net assets (Note 2)	5,873,158
Temporarily restricted net assets (Note 15)	475,116
Total Net Assets	6,348,274
	$20,515,443

See accompanying notes to financial statements.

Eden II School För Autistic Children, Inc.

Statement of Activities

Year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Changes in Unrestricted Net Assets:			
Revenue:			
Program and public support services revenue (Note 12)	$24,113,351	$ -	$24,113,351
Grants and contract services (Note 13)	2,010,173	-	2,010,173
Other revenue	331,377	-	331,377
Total Revenue	26,454,901	-	26,454,901
Expenses:			
Program services:			
Educational services	11,411,651	-	11,411,651
Residential services	7,397,067	-	7,397,067
Adult habilitational services	4,840,745	-	4,840,745
Family support	249,364	-	249,364
Total Program Services	23,898,827	-	23,898,827
Supporting services:			
Management and general	2,441,925	-	2,441,925
Fundraising	309,067	-	309,067
Total Supporting Services	2,750,992	-	2,750,992
Total Expenses	26,649,819	-	26,649,819
Change in Net Assets Before Non-operating Revenues	(194,918)	-	(194,918)
Non-operating Revenues:			
Contributions	1,954,836	-	1,954,836
Gain on swap agreement	94,080	-	94,080
Unrealized loss on debt service reserve funds	(33,651)	-	(33,651)
Total Non-operating Revenues	2,015,265	-	2,015,265
Change in Net Assets	1,820,347	-	1,820,347
Net Assets, Beginning of Year	4,052,811	475,116	4,527,927
Net Assets, End of Year	$ 5,873,158	$475,116	$ 6,348,274

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Functional Expenses

Year ended June 30, 2013

	Program Services					Supporting Services		
	Educational	Residential	Adult Habilitational	Family Support	Total Program Support	Management and General	Fundraising	Total
Salaries and Wages and Fringe Benefits:								
Salaries and wages	$ 8,110,481	$4,474,096	$3,214,764	$177,718	$15,977,059	$1,292,885	$242,310	$ 17,512,254
Fringe benefits	2,215,202	1,190,263	842,085	46,615	4,294,165	347,526	66,757	4,708,448
Total Salaries and Wages and Fringe Benefits	10,325,683	5,664,359	4,056,849	224,333	20,271,224	1,640,411	309,067	22,220,702
Other Expenses:								
Food	3,606	211,979	957	-	216,542	-	-	216,542
Repairs and maintenance	134,410	180,719	137,533	13,692	466,354	30,680	-	497,034
Utilities	75,188	78,659	42,797	-	196,644	24,341	-	220,985
Travel	22,295	9,894	54,753	4,080	91,022	24,600	-	115,622
Client expense	6,071	144,598	17,869	-	168,538	-	-	168,538
Equipment rental	20,210	66,581	68,238	258	155,287	6,652	-	161,939
Staff training and development	25,118	15,723	9,468	-	50,309	20,599	-	70,908
Consultants and contractual services	28,792	26,459	-	-	55,251	141,770	-	197,021
Consumable supplies	174,440	142,754	99,377	5,052	421,623	70,630	-	492,253
Telephone	30,313	28,003	16,772	-	75,088	16,831	-	91,919
Insurance	20,695	36,633	25,824	1,949	85,101	93,363	-	178,464
Dues and subscriptions	-	-	-	-	-	26,819	-	26,819
Professional fees	-	-	-	-	-	115,225	-	115,225
Rent	338,795	-	18,609	-	357,404	47,294	-	404,698
Interest	88,780	238,683	85,531	-	412,994	54,105	-	467,099
Facility tax	-	119,162	-	-	119,162	-	-	119,162
Public relations	-	-	-	-	-	17,411	-	17,411
Miscellaneous	31,671	14,213	6,171	-	52,055	31,520	-	83,575
Depreciation and amortization	85,584	418,648	199,997	-	704,229	79,674	-	783,903
Total Expenses	$11,411,651	$7,397,067	$4,840,745	$249,364	$23,898,827	$2,441,925	$309,067	$26,649,819

See accompanying notes to financial statements.

Eden II School For Autistic Children, Inc.

Statement of Cash Flows

Year ended June 30, 2013	
Cash Flows From Operating Activities:	
Change in net assets	$ 1,820,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	783,904
Gain on swap agreement	(94,080)
Unrealized loss on debt service reserve funds	33,651
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Program services receivable	993,189
Grants and contracts receivable	457,927
Pledges receivable	43,427
Prepaid expenses and other assets	(102,639)
Debt service reserve funds	(270,144)
Deferred issuance costs	(459,349)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	138,180
Accrued compensation	668,037
Due to state and local agencies	(43,312)
Due to related party	(1,750,904)
Net Cash Provided By Operating Activities	**2,218,234**
Cash Flows From Investing Activities:	
Purchases of property and equipment	(713,489)
Change in restricted cash - escrow	245,000
Net Cash Used In Investing Activities	**(468,489)**
Cash Flows From Financing Activities:	
Payments on mortgages and notes payable	(4,439,360)
Proceeds from line of credit	3,550,000
Repayments of line of credit	(3,550,000)
Payments to DASNY	(28,300)
Proceeds from bonds payable	3,305,000
Payments on bonds payable	(420,000)
Net Cash Used in Financing Activities	**(1,582,660)**
Increase in Cash and Cash Equivalents	**167,085**
Cash and Cash Equivalents, Beginning of Year	**315,550**
Cash and Cash Equivalents, End of Year	**$ 482,635**
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for interest	$ 459,239

See accompanying notes to financial statements.

1. Nature of Organization

Eden II School for Autistic Children, Inc. (the "School") is a nonprofit organization whose purpose is to provide instruction, respite and socialization programs for autistic and autistic-like school age and preschool children and adults. Services are also provided for day and vocational training. In addition, the School operates an Intermediate Care Facility and five residential care facilities.

The School provides a wide range of services to individuals with autism spectrum disorders or individuals with autistic-like communication and behavior disorders, as defined by the Autism Society of America. The School's students and adult consumers reside in New York City and the counties of Long Island.

Success in providing quality services lies in the School's commitment to state of the art programming. Applied Behavior Analysis, the only empirically validated intervention for individuals with autism, provides the framework for all of the School's programs. Treatment programs are tailored to fit the individual, and are implemented within a community-based context designed to facilitate community living. The goal for all of the School's consumers is independence and community integration.

The School provides the following range of services:

- Day school programs for pre-school and school age children.
- A vocational program for adolescents.
- Adult day training and day habilitation programs.
- Residential programs for adolescents and adults.
- Family support services.
- Community outreach services including parent training, community lectures and seminars, professional consultations, after-school services, and summer camps.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the School have been prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented, on a classified basis, 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 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 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 the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

(ii) Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School 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 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 School considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

(d) Fair Value Measurement

Accounting Standards Codification ("ASC") 820-10, "Fair Value Measurement", defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820-10 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 820-10 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 School classifies fair value balances based on the fair value hierarchy defined by ASC 820-10 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.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(f) Program Service Receivables and Allowance for Doubtful Accounts

Program service receivables are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts.

Management specifically analyzes accounts receivable, historical bad debts, current funding trends and changes in payment terms and rates when evaluating the allowance for doubtful accounts.

(g) Pledges Receivable

Pledges receivable consist of unconditional promises to give. Pledges receivable expected to be collected within one year are recorded at net realizable value. Pledges receivable 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 a discount rate applicable to the year in which the promises are received.

(h) Derivative Instruments and Hedging Activities

The School accounts for interest rate swaps in accordance with ASC 815, "Accounting for Derivative Instruments and Certain Hedging Activities," as amended, which requires that all derivative instruments be recorded on the statement of financial position at their respective fair values. The fair value of the interest rate swap held is based on a value provided by a third-party financial institution. The School does not enter into derivative instruments for any purpose other than to limit the variability of a portion of its interest payments. That is, the School does not speculate using derivative instruments.

(i) Property and Equipment, Net

Purchases of property and equipment with a cost of $1,000 or higher are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Property and equipment is depreciated or amortized over the estimated useful lives of the underlying assets ranging from 5 to 25 years, using the straight-line method. Repairs and maintenance are charged to expense in the period incurred. Construction-in-progress is recorded at cost and includes capitalization of architecture, construction fees and interest cost during the construction period. Depreciation commences when construction is complete and the asset is placed into service.

(j) Impairment of Fixed Assets

The School 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 June 30, 2013, there have been no such losses.

(k) Debt Issuance Costs

Debt issuance costs are deferred and amortized on a straight-line basis over the life of the related debt. Amortization expense for the year ended June 30, 2013 was $59,905.

(l) Contributions

Contributions received and unconditional promises to give that are reasonably determinable are recorded as public support at fair value, as determined by management, 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. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. The School 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.

It is the School's policy to record temporarily restricted donations and contributions received in the same accounting period that the restriction is satisfied in unrestricted net assets at the time of donation.

The School 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 those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(m) Income Taxes

The School was incorporated in the state of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2013.

The School adopted the provisions of ASC 740, "Income Taxes", on January 1, 2009. 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 upon examination by a taxing authority. The implementation of ASC 740 had no impact on the School's financial statements. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the School has filed Internal Revenue Service Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2013, there were no interest or penalties recorded or included in the statement of activities. The School is subject to routine audits by taxing authorities. As of June 30, 2013, the School was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examinations for the years prior to 2010.

(n) Functional Allocation of Expenses

Expenses are recorded in the period incurred. Expenses are allocated into functional categories depending on the ultimate purpose of the expense.

3. Investments and Fair Value Measurements

The School's assets and liabilities 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 School's policies regarding this hierarchy.

The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The School'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.

The fair value of the money market funds, U.S. Treasury obligations and fixed income funds, which consist of debt service reserve funds held by the School and an interest rate swap, are estimated using Level 2 inputs, which are based on model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Below sets forth tables of assets and liabilities measured at fair value on a recurring basis as of June 30, 2013:

	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 Unobservable Inputs (Level 3)	Balance as of June 30, 2013
Debt Service Reserve Funds				
Money market funds	$ 378,959	$ -	$ -	$ 378,959
U.S. Treasury obligations	674,967	-	-	674,967
Fixed income funds	222,139	-	-	222,139
	$1,276,065	$ -	$ -	$1,276,065
Liabilities				
Interest rate swap	$ -	$158,543	$ -	$ 158,543

4. Program Services Receivable

Program services receivable as of June 30, 2013 consist of the following:

June 30, 2013	Amount
New York City Board of Education	$ 936,371
Medicaid	1,925,677
Long Island School Districts	895,421
Other receivables	700,605
	4,458,074
Less: Allowance for doubtful accounts	(821,949)
Total	$3,636,125

5. Grants and Contracts Receivable

Grants and contracts receivable, net, as of June 30, 2013 consist of the following

June 30, 2013	
New York City Department of Health and Mental Hygiene ("NYC-DOHMH")	$ 367,770
Individuals with Disabilities Education Act ("IDEA")	51,408
New York State Office for People With Developmental Disabilities Family Support Services	59,541
Legislative grants	1,830,000
	2,308,719
Less: Allowance for doubtful accounts	(347,852)
Total	$1,960,867

6. Debt Service Reserve Funds

The School has debt service reserve funds in connection with the Dormitory Authority of the State of New York ("DASNY") and the New York City Industrial Development Agency ("IDA") bond issuances. These balances are limited under terms of debt indentures. The funds as of June 30, 2013 are as follows:

June 30, 2013				
DASNY		381 Carlton Boulevard	Staten Island	$ 32,282
IDA	2004C	150 Granite Avenue	Staten Island	405,019
IDA	2005A	106 Grayson Street and 94 Wright Avenue	Staten Island	346,678
IDA	2006D	155 Dix Hills Road	Huntington	115,108
IDA	2007C	131 Cambon Avenue	Saint James	131,326
IDA	2013A	15 Beach Street	Staten Island	245,652
				$1,276,065

7. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following at June 30, 2013:

June 30, 2013	
Land	$ 1,487,524
Building and improvements	11,441,881
Equipment	1,269,866
Construction-in-progress	6,338,877
	20,538,148
Less: Accumulated depreciation	(8,676,583)
Total	$11,861,565

Depreciation and amortization expense for the year ended June 30, 2013 was $723,999. Management believes that the estimated cost to complete construction-in-progress is approximately $5,518,000.

8. Due to DASNY

Due to DASNY as of June 30, 2013 consists of the following:

June 30, 2013	
The School has entered into a bond financing with DASNY in the amount of $399,500. This tax-exempt bond covers the purchase and renovation of the Carlton Boulevard Intermediate Care Facility located on Staten Island, New York, which serves as collateral against the bond. The bond will be paid to DASNY over a period of 25 years through June 1, 2015.	$ 82,900
Less: Current maturities	(30,600)
Total	$ 52,300

The aggregate amounts of principal payments due to DASNY during each of the years following June 30, 2013 and thereafter are as follows:

Year ending June 30,	Amount
2014	$30,600
2015	33,000
2016	19,300
	$82,900

9. Bonds Payable

Bonds payable as of June 30, 2013 consist of the following:

June 30, 2013	
In August 2004, the School refinanced the IDA bonds with the New York City IDA. These bonds are Special Needs Facilities Pooled Series 2004 C bond issues. The bonds consist of Series 2004 C-1 tax-exempt bonds in the amount of $3,630,000 and Series 2004 C-2 taxable bonds in the amount of $170,000. The proceeds of the bonds financed the cost of acquiring, equipping and renovating a building purchased by the School at 150 Granite Avenue, Staten Island, which serves as collateral for the bonds. Serial and term fixed rate bonds were issued at rates ranging from 4.5% to 6.625% through July 1, 2029. The debt service reserve fund is invested in U.S. Treasury obligations earning 3.125% until May 15, 2019, which is credited every year and will help to offset the net loan repayments. During the year ended June 30, 2013, approximately $900,000 of the restricted cash was redeemed and applied towards the outstanding bond principal.	$2,230,000

June 30, 2013	
In March 2005, the School, through the InterAgency Council of Mental Retardation and Developmental Disabilities and the New York City Special Needs Facilities Program, issued Series 2005 A-1 tax-exempt bonds in the amount of $3,465,000 and Series 2005 A-2 taxable bonds in the amount of $170,000. The proceeds of the bonds financed the cost of acquiring, equipping and renovating buildings purchased by the School at 106 Grayson Avenue and 94 Wright Avenue; the properties serve as collateral for the bonds. Serial and term fixed rate bonds were issued at rates ranging from 3.1% to 4.75% through July 1, 2020. The debt service reserve fund is invested in money market funds at the trustee, Bank of New York Mellon. Interest is credited every year and will help to offset the net loan repayments.	$1,910,000
In June 2006, the School, through the InterAgency Council of Mental Retardation and Developmental Disabilities and the Suffolk County Industrial Development Agency Special Needs Facilities Program, issued Series 2006 D-1 tax-exempt bonds in the amount of $965,000 and Series 2006 D-2 taxable bonds in the amount of $55,000. The proceeds of the bonds financed the cost of acquiring, equipping and renovating a building, which included property and equipment, purchased by the School at 155 Dix Hills Road. The property serves as collateral for the bonds. The facility is leased to the School for a period of 13 years, expiring July 1, 2019. Lease payments are equal to IDA's interest and principal on the bonds. At the expiration of the 13 year term to IDA's interest and principal on the bonds, ownership of the facility reverts to the School for $1. Serial and term fixed rate bonds were issued at rates ranging from 4.15% to 6.05% through July 1, 2019. The debt service reserve fund is invested in government-backed securities earning 4.875% annually through September 27, 2018, which is credited every year and helps to offset the net loan payments.	540,000
In January 2007, the School and the Suffolk County Industrial Development Agency Special Needs Facilities Program issued Series 2007 C-1 tax-exempt bonds in the amount of $1,360,000 and Series 2007 C-2 taxable bonds in the amount of $100,000. The proceeds of the bonds are to finance the cost of acquiring, equipping and renovating a building purchased by the School at 131 Cambon Avenue. The property serves as collateral for the bonds. Serial and term fixed rate bonds were issued at rates ranging from 4.1% to 5.25% through July 1, 2022. The debt service reserve fund is invested in government-backed securities earning 3.75% annually through March 27, 2019, which is credited every year and helps to offset the net loan repayments.	945,000
In April 2013, the School and the Build NYC Resource Corporation issued Series 2013A-1 2013A-2 revenue bonds through the Special Needs Facilities Pooled Program in the amount of $3,305,000. The proceeds of the bonds are to finance the cost of acquiring, equipping and renovating a building purchased at 15 Beach Street.	3,305,000
	8,930,000
Less: Current maturities	(505,000)
	$8,425,000

The aggregate amounts of principal payments on the bonds payable during each of the five years following June 30, 2013 and thereafter are as follows:

Year ending June 30,	Amount
2014	$ 505,000
2015	520,000
2016	540,000
2017	560,000
2018	570,000
Thereafter	6,235,000
	$8,930,000

10. Mortgages and Notes Payable

Mortgages and notes payable as of June 30, 2013 consist of the following:

June 30, 2013	
The School received a $354,750 mortgage loan from a financial institution for a building. The mortgage, due September 1, 2017, is payable in monthly installments of $3,263, including interest at 7.38% per annum. The School has the option to renew the loan for an additional five years. The loan is secured by the property on Dixon Avenue, Staten Island.	$ 142,483
The School executed a 15 year term note (the "Collfield Note") adjustable every five years, interest to be charged at a rate equal to one (1) month LIBOR, plus 4.00% per annum (4.2% as of June 30, 2013), which matures on December 15, 2024. The monthly payment approximates $14,160. This debt is secured by the property at 682 Collfield Avenue, Staten Island and with a general lien.	1,324,143
	1,466,626
Less: Current maturities	(108,174)
	$1,358,452

The aggregate amounts of principal payments on the long-term debt during each of the five years following June 30, 2013 and thereafter are as follows:

Year ending June 30,	Amount
2014	$ 108,174
2015	110,677
2016	119,287
2017	129,866
2018	110,536
Thereafter	888,086
	$1,466,626

The Collfield Note has a variable rate which exposes the School to a variability in interest payments due to changes in interest rates. The School believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, the School entered into an interest rate swap agreement to manage fluctuations in cash flows resulting from interest rate risk. The swap changes a portion of the variable rate cash flow exposure on the note to fixed cash flows. Under the terms of the rate swap, the School receives variable interest rate payments and makes fixed interest rate payments on a notional principal amount, thereby creating the equivalent of fixed-rate debt (see Note 18).

11. Line of Credit

The School has executed a line of credit for $2,000,000 with a bank, which expires on January 1, 2014. The agreement requires interest to be charged at a rate equal to the bank's prime rate plus 1.75%, with a minimum rate of 6.00% (6% as of June 30, 2013). The line is secured by a general lien. As of June 30, 2013, there was no balance outstanding on the line of credit.

The School obtained a bridge loan from FJC, a Foundation of Philanthropic Funds, amounting to $4,730,000 for the renovation of 15 Beach Street for use as a School and agency headquarters. As of June 30, 2013, no amounts have been drawn on the loan. The loan has a maturity date of March 31, 2017 and interest is payable quarterly at the prime rate published in the Wall Street Journal (3.25 % at June 30, 2013) plus 3%.

12. Program and Public Support Services Revenue

For the year ended June 30, 2013, program and public support services revenue consists of the following:

Year ended June 30, 2013	
New York City Office of People With Developmental Disabilities ("OPWDD"):	
Medicaid	$12,736,002
Other	703,410
New York City Board of Education	8,657,629
Long Island School Districts	1,875,120
Other revenue	141,190
	$24,113,351

Medicaid revenue is reimbursed to the School at the net reimbursement rates as determined by each program's cost report. Reimbursement rates are subject to revisions under the provisions of cost reimbursement regulations. Adjustments for the State Education Department rate reconciliation are recognized in the year reconciled.

Certain programs of the School are funded by the OPWDD and are eligible for property cost reimbursement. Once the rates have been finalized by the OPWDD, the School receives additional revenue through a rate adjustment for these programs. The financial statements include the cost of the projects. The revenue is recorded once received by the School.

13. Grants and Contract Services

For the year ended June 30, 2013, grants and contract service revenues consist of the following:

Year ended June 30, 2013	
Consulting and Outreach	$1,100,758
Education:	
IDEA	281,387
Other	284,464
OPWDD and NYC-DOHMH	282,951
Other	60,613
	$2,010,173

14. Pension Plan

The School has a Federally qualified defined contribution pension plan covering substantially all full-time employees who meet certain eligibility requirements. The amount contributed to the plan is a fixed percentage of participants' compensation. Pension expense amounted to $397,273 for the year ended June 30, 2013.

15. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2013 are available for the following purposes:

June 30, 2013	
NYC Adult Services	$425,116
Wright Avenue Facility	50,000
	$475,116

For the year ended June 30, 2013, there were no releases from restriction.

16. Related Party Transactions

The Foundation for the Advancement of Autistic Persons, Inc. (the "Foundation"), which was established to solicit charitable contributions and other funds, and provide other benefits and support the mission of the School and other organizations dedicated to the support of individuals with autism, shares certain members of management with the School. The School provides management and personnel services to the Foundation. Income for these services was $100,000 for the year ended June 30, 2013. In addition, the Foundation agreed to pay approximately $232,000 to the School to cover the School's cost of living adjustment for payroll during 2013. At June 30, 2013, the amount due to the School from the Foundation was $1,936,198.

The Foundation provides advances with no stated due date to the School. At June 30, 2013, the balance of this advance was $2,357,244. The Foundation requires that $25,000 be repaid each year. The remaining portion has no specified due date.

17. Derivative Financial Instruments

The School has entered into an interest rate swap agreement to limit the effects of increases in interest rates on a variable rate bond. The change in fair value of the interest rate swap is recognized in the statement of activities. The differential is accrued as interest rates change.

The terms of the swap agreement are summarized below:

June 30, 2013

	Notional Amount	Fair Value
Interest rate swap agreement with Sovereign Bank. The bank pays a variable rate of interest based on U.S. LIBOR with a fixed rate of 8.05%. The agreement provides for monthly settlement and matures in December 2024.	$1,324,133	$(158,543)

18. Commitments and Contingencies

(a) The School's program costs are subject to audit by various government agencies. In the opinion of the School management, any liabilities which might be incurred would not have a material effect on the School's financial position or results of operations.

(b) The School has lease agreements for rental space which expire at various dates through 2019. Rent expense for the year ended June 30, 2013 was $251,652. In addition to these facilities, the School leases equipment and vehicles under noncancelable operating leases. Noncancelable minimum lease payments are as follows:

Year ending June 30,	Amount
2014	$ 328,883
2015	394,554
2016	317,946
2017	289,417
2018	198,724
Thereafter	33,120
	$1,562,644

(c) The School is currently in the process of reconciling pre-operational costs (final expenditure reports) with the OPWDD for properties located at:

a) 131 Cambon Avenue, St. James, New York

b) 155 Dix Hills Road, Huntington, New York

c) 682 Collfield Avenue, Staten Island, New York

The estimated recovery of pre-operational costs is approximately $500,000. These amounts have not been recorded in the financial statements.

In addition, the School received initial approval for rate appeals for its Individual Residence Alternative ("IRA") program for the fiscal year ended June 30, 2008 of $125,477, which was recorded in the statement of activities.

As of the financial statement date, the School also has outstanding rate appeals for fiscal years ended June 30, 2009 and 2010.

19. Concentrations of Credit Risk

Financial instruments, which potentially subject the School to credit risk, consist principally of temporary cash investments. The School places its temporary cash investments with various financial institutions. The School maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits.

20. Subsequent Events

The School's management has performed subsequent events procedures through November 26, 2013, 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.

APPENDIX B-III

LIFESPIRE, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2015, JUNE 30, 2014 AND JUNE 30, 2013)

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LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

LIFESPIRE, INC. AND SUBSIDIARY

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lifespire, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lifespire, Inc. and Subsidiary (the "Agency"), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 of 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 Agency'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 Agency'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 consolidated financial position of Lifespire, Inc. and Subsidiary as of June 30, 2015, 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.

MBAF CPAs, LLC
New York, NY
November 23, 2015

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Cash and cash equivalents	$	18,339,606
Cash and cash equivalents designated for recoupments payable		9,664,397
Cash and cash equivalents designated for self funded insurance		3,753,361
Cash and cash equivalents designated for health reimbursement accounts		1,867,797
Cash and cash equivalents restricted to debt service escrow		2,735,240
Cash and cash equivalents designated - other		1,111,096
Investments		4,494,162
Debt service reserve fund due from New York State		318,841
Accounts receivable, net		84,957
Accrued income receivable		14,905,887
Due from related parties		753,467
Security deposits and prepaid expenses		834,853
Property and equipment, net		17,553,855
Deferred charges, net		3,575,404
TOTAL ASSETS	**$**	**79,992,923**

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	$	5,930,964
Accrued payroll		3,356,361
Accrued compensated absences		3,656,838
Recoupments payable		9,664,397
Mortgages payable - DASNY		1,368,758
Bonds payable - DASNY		12,720,000
Bonds payable - IDA		1,100,000
Lines of credit		852,382
Deferred rent		2,649,237
Self funded insurance liability		2,057,661
Pension liability		5,180,577
Postretirement health insurance liability		4,728,247
TOTAL LIABILITIES		53,265,422
NET ASSETS		
Unrestricted:		
Undesignated		13,450,053
Residential reserve for replacement		979,354
Property and equipment		6,120,361
Board designated - program expansion		1,125,818
Board designated - anticipated pension contributions		1,240,000
Board designated - self funded insurance		3,753,361
		26,668,947
Temporarily restricted		58,554
TOTAL NET ASSETS		26,727,501
TOTAL LIABILITIES AND NET ASSETS	**$**	**79,992,923**

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

REVENUE - PROGRAM OPERATIONS	
Program service fees	$ 95,177,440
Participants' share of room and board	3,252,807
Subcontract	461,168
DASNY bond fees	612,007
	99,503,422
Net assets released from restrictions	2,500
TOTAL REVENUE - PROGRAM OPERATIONS	99,505,922
EXPENSES	
Program services	94,598,677
Management and administration	6,147,051
TOTAL EXPENSES	100,745,728
CHANGE IN UNRESTRICTED NET ASSETS BEFORE OTHER REVENUE AND PENSION AND HEALTH CARE BENEFIT PLAN-RELATED CHANGES	(1,239,806)
OTHER REVENUE	
Investment income	137,665
Contributions and fundraising	21,626
Retroactive rate adjustments	1,399,173
Miscellaneous	27,169
TOTAL OTHER REVENUE	1,585,633
CHANGE IN UNRESTRICTED NET ASSETS BEFORE PENSION AND HEALTH CARE BENEFIT PLAN-RELATED CHANGES	345,827
Pension related change other than net periodic pension benefits (costs)	(955,759)
Post-retirement health care benefit change other than net periodic benefits (costs)	2,692,201
CHANGE IN UNRESTRICTED NET ASSETS	2,082,269
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Donors	15,789
Net assets released from restrictions	(2,500)
	13,289
CHANGE IN NET ASSETS	2,095,558
NET ASSETS - BEGINNING OF YEAR	24,631,943
NET ASSETS - END OF YEAR	**$ 26,727,501**

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	$	24,586,678
Change in unrestricted net assets		2,082,269
UNRESTRICTED NET ASSETS - END OF YEAR	$	26,668,947
TEMPORARILY RESTRICTED NET ASSETS - BEGINNING OF YEAR	$	45,265
Change in temporarily restricted net assets		13,289
TEMPORARILY RESTRICTED NET ASSETS - END OF YEAR	$	58,554

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services							
	Waiver Services	Vocational Services	Residential	Mental Health	Other Programs	Total Program Services	Management and Administration	Total Expenses
Salaries	$ 16,082,663	$ 8,771	$ 19,449,074	$ 563,411	$ 3,546,937	$ 39,650,856	$ 2,487,009	$ 42,137,865
Payroll taxes and benefits	6,585,366	699	7,105,892	191,228	1,053,011	14,936,196	907,556	15,843,752
Total personnel costs	22,668,029	9,470	26,554,966	754,639	4,599,948	54,587,052	3,394,565	57,981,617
Professional fees and contracted services	941,037	673	1,954,135	99,999	2,709,106	5,704,950	462,453	6,167,403
General and professional liability insurance	422,661	6,940	303,434	37,193	41,168	811,396	285,715	1,097,111
Supplies and expenses:								
Food, household supplies and services	166,588	460	2,817,284	3,566	18,694	3,006,592	17,233	3,023,825
Rent and real estate taxes	3,042,050	325,397	2,668,415	223,112	470,329	6,729,303	452,558	7,181,861
Transportation	9,750,809	35,418	1,084,945	9,562	91,307	10,972,041	135,164	11,107,205
Utilities and telephone	1,094,207	19,621	1,027,864	88,115	245,505	2,475,312	164,140	2,639,452
Maintenance and repair	463,383	4,214	805,754	24,871	52,241	1,350,463	111,771	1,462,234
General	1,532,863	275,421	2,190,949	18,426	727,690	4,745,349	1,085,728	5,831,077
Total expenses before interest, fees, and bond expense, and depreciation and amortization	40,081,627	677,614	39,407,746	1,259,483	8,955,988	90,382,458	6,109,327	96,491,785
Interest, fees, and bond expense	716,537	35,619	1,749,896	-	15,991	2,518,043	-	2,518,043
Depreciation and amortization	644,690	75,261	904,900	12,526	60,799	1,698,176	37,724	1,735,900
TOTAL EXPENSES	$ 41,442,854	$ 788,494	$ 42,062,542	$ 1,272,009	$ 9,032,778	$ 94,598,677	$ 6,147,051	$ 100,745,728

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 2,095,558
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	1,735,900
Amortization of bond issue costs	455,567
Unrealized loss on investments	22,294
Bad debt recovery	(1,190)
Changes in operating assets and liabilities:	
Accounts receivable	46,659
Accrued income receivable	2,543,365
Due from related parties	170,169
Security deposits and prepaid expenses	(196,588)
Accounts payable and accrued expenses	(966,131)
Accrued payroll	(1,368,578)
Accrued compensated absences	7,427
Recoupments payable	(6,854,213)
Self funded insurance liability	(253,336)
Pension liability	(384,809)
Postretirement health insurance liability	(2,058,875)
NET CASH USED IN OPERATING ACTIVITIES	(5,006,781)
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash and cash equivalents restricted to debt service escrow	1,315,678
Purchases of investments	(4,204,310)
Proceeds from sales of investments	3,641,351
Purchases of property and equipment	(1,763,309)
NET CASH USED IN INVESTING ACTIVITIES	(1,010,590)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayments of mortgages payable - DASNY	(481,325)
Repayments of bonds payable - DASNY	(775,000)
Proceeds from line of credit	305,000
Repayments of bonds payable - IDA	(1,590,000)
Payments of bond issuance costs	(188,164)
NET CASH USED IN FINANCING ACTIVITIES	(2,729,489)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,746,860)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	43,483,117
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 34,736,257
RECONCILIATION FOR UNRESTRICTED CASH & CASH EQUIVALENTS	
Cash and cash equivalents	$ 18,339,606
Cash and cash equivalents designated for recoupments payable	9,664,397
Cash and cash equivalents designated for self funded insurance	3,753,361
Cash and cash equivalents designated for health reimbursement accounts	1,867,797
Cash and cash equivalents designated - other	1,111,096
CASH AND CASH EQUIVALENTS - END OF YEAR, UNRESTRICTED	$ 34,736,257
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	$ 801,158
Noncash items:	
Proceeds from settlement of bonds payable - IDA through refinancing by bonds payable - DASNY of $3,450,000	

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION

Lifespire, Inc. and Subsidiary (collectively, the "Agency") serves individuals with disabilities and their families through various programs which include, but are not limited to, residential, rehabilitation, and day programs. The Agency is funded through government programs, consumer contributions, and gifts. It is the Agency's aim to provide individuals with disabilities the assistance and support necessary to achieve a level of functional behaviors and cognitive skills to enable them to maintain themselves in their community in the most integrated and independent manner possible. Lifespire Services, Inc. ("Parent") is the sole member of the Agency.

2. SIGNIFICANT ACCOUNTING POLICIES

Tax Status

The Agency, according to the Internal Revenue Service ("IRS"), was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and under the corresponding provisions of the New York State and New York City income tax laws. Under these provisions, the Agency is exempt from federal and state income taxes and, therefore, has made no provision for income taxes in the accompanying consolidated financial statements.

The Agency follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the consolidated financial statements. It also provides guidance for de-recognition, classification, interest and penalties, disclosure and transition.

The Agency is subject to audit by tax authorities. In assessing the realizability of tax benefits, management considers whether it is more likely than not that some portion or all of any tax position will not be realized. Management believes that its tax-exempt status would be sustained upon examination. Management believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

If applicable, the Agency would classify interest and penalties on underpayments of income tax as miscellaneous expenses.

The Agency files federal and New York State informational returns. With few exceptions, the Agency is no longer subject to federal or state income tax examinations for fiscal years before June 30, 2012.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the Agency's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These classes are defined as follows:

Permanently Restricted - Net assets resulting from (a) 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, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications from other classes of net assets as a consequence of donor-imposed stipulations.

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 statement of activities. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Agency reports the support as unrestricted.

Unrestricted - The part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Some of these net assets are undesignated but some are designated by the Board of Directors ("Board") as set forth below:

Residential Reserve for Replacement - There is an amount of $979,354 as residential reserve for replacement. Such reserve was designated by the New York State Office for People with Developmental Disabilities ("OPWDD") for the reimbursement of building renovations and improvements for Agency-owned residential properties. This reimbursement mechanism does not apply to residential properties that are leased.

The Agency has the ability to utilize the residential reserve funding for all of its certified residential sites within each class of residences. These funds are not interchangeable among program types.

Property and Equipment - There is a designated amount of $6,120,361 which represents the excess of the net book value of property and equipment over the related debt.

Board Designated-Program Expansion - The Board has designated $1,125,818 for future programmatic expansion. The monies, which are not segregated, are used to alleviate the ongoing financial pressures on the Agency due to the timing of collections of government funding, the limitations on available government funding, and the limited fund-raising activities undertaken by the Agency. The Agency has minimum monthly operating cash requirements of approximately $9,040,000 to finance its program operations.

Board Designated-Anticipated Pension Contributions - The Board has designated $1,240,000 for anticipated defined benefit pension plan contributions for the year ended June 30, 2016.

Board Designated-Self Funded Insurance - The Board has designated $3,753,361 for payments of current and future claims related to the Agency's self funded insurance plans.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The consolidated financial statements include the financial activity of Lifespire, Inc. ("Lifespire") and its wholly-owned subsidiary, Manhattan Management Solutions, LLC (the "Organization"). The Organization provides consulting services to other not-for-profit organizations. Lifespire consolidates the Organization because it has both (i) an economic interest in, and (ii) control over the Organization through a majority voting interest in its governing board. The Organization had no activity for the year ended June 30, 2015. Any inter-entity transactions are eliminated in consolidation.

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 and the reported amounts of revenues and expenses during the reporting period. Management has determined that estimates of program service fees and related recoupment payable (see Note 4) and self-insurance are subject to change in the near term. Actual results could differ from those estimates.

Subsequent Events

The Agency has evaluated events through November 23, 2015, which is the date the consolidated financial statements were available to be issued.

Cash and Cash Equivalents

The Agency considers all highly liquid investments with an original maturity date of three months or less at the time of purchase to be cash equivalents. Restricted cash and cash equivalents as of June 30, 2015 are described in Note 5.

Investments

Investments are comprised of certificates of deposits with varying maturity dates and mutual funds. These investments are stated at fair value. Income from investments is considered unrestricted unless restricted by a donor.

Accounts Receivable, Net

All known uncollected accounts receivable have been adjusted to net realizable value as of June 30, 2015. The allowance for doubtful accounts, which amounts to $5,142 at June 30, 2015, is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts. Management generally uses 5% of total subcontract accounts receivable as the basis for the calculation of allowance for doubtful accounts based on historical experience and economic conditions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Service Fees and Accrued Income Receivable

The Agency receives a major portion of its program service fees from Medicaid in conjunction with the OPWDD, the Social Security Administration ("SSA") and directly from the OPWDD. At June 30, 2015, substantially all of the accrued income receivable of $14,905,887 is due from these governmental agencies.

The Agency recognizes revenue as services are provided. The amount is determined by the funding agencies either by a fee for service or a cost based fee. These fees are subject to periodic review and revision by the funding agencies. During the year ended June 30, 2015, the Agency recognized $1,399,173 in retroactive rate adjustments.

The current third-party-payor programs, including Medicaid and Medicare, are based upon complex laws and regulations. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. No such fines, penalties and exclusions were imposed on the Agency during the fiscal year ended June 30, 2015.

Property and Equipment

Property and equipment are stated at cost, or at fair market value if donated, less accumulated depreciation and amortization. Maintenance and repairs are charged to expense as incurred; major improvements are capitalized in accordance with funding source guidelines. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful life of the asset. These amounts do not purport to represent replacement or realizable values. The Agency capitalizes individual items costing in excess of $5,000.

Impairment

The Agency reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the Agency recognizes an impairment loss. No impairment losses were recognized for the year ended June 30, 2015.

In-Kind Contributions

In-kind contributions consist of property and services donated by state agencies and individuals which are measured at fair value at the date of donation. There were no in-kind contributions received by the Agency during the year ended June 30, 2015.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled $68,906 for the year ended June 30, 2015, and is included in general expenses in the accompanying consolidated statement of functional expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent

The Agency leases program and office space whereby the various landlords provide periods of scheduled increases in the minimum amounts charged. Rent expense related to the minimum rentals is recognized on a straight-line basis over the term of the respective leases. The accompanying consolidated statement of financial position reflects a liability of $2,649,237 at June 30, 2015 relating to deferred rent. The change in this liability is reflected as a charge to rent and real estate taxes in the accompanying consolidated statement of functional expenses.

Deferred Charges

Deferred charges comprise the following:

Bond Costs - Bond issuance costs, which also reflect bond premiums and discounts, are amortized over the life of the respective bond issue. Bond costs amounted to $926,167 at June 30, 2015, which is net of accumulated amortization. Amortization expense of these costs for the year ended June 30, 2015 was $455,567. Such amortization is included in interest, fees and bond expense of $2,518,043 shown in the accompanying consolidated statement of functional expenses.

Deferred Rent Recovery - OPWDD includes in the reimbursement rate paid to service providers a component for rents paid in accordance with lease terms. The Agency recognizes such amounts, however, based upon the future stream of payments for rent that is required to be recognized under U.S. GAAP that is in excess of the cumulative rents incurred up to date. The difference between the revenue recognized and the rents incurred over their lease terms (which is the reimbursement from OPWDD) is reflected as a deferred charge on the consolidated statement of financial position. This deferred charge represents a timing difference which will accumulate over the earlier periods of the rent expense recognition for a respective lease and will reverse during the latter periods of the rent payments. The deferred charge amounted to $2,649,237 at June 30, 2015. For the year ended June 30, 2015, the decrease in deferred rent recovery amounted to $364,091 and is reflected in the accompanying consolidated statement of activities.

Self Funded Health and Workers' Compensation Insurance

The Agency is self funded for health and workers' compensation insurance on all employees. At June 30, 2015, the Agency recorded a liability of $2,057,661 for claims that have been incurred but not paid for employees covered by the self funded plans.

Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications based upon benefits received.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

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.

The accounting standards codification establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs to be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Agency. Unobservable inputs reflect the Agency's assumption about inputs that market participants would use at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1 - Valuation based on quoted prices in active markets for identical assets or liabilities that the Agency has the ability to access.

Level 2 - Valuation based on quoted prices for similar assets or liabilities in active markets; for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Level 3 assets and liabilities measured at fair value are based on one or more of the following three valuation techniques noted in the standard:

- Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

- Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (i.e. current replacement cost); and

- Income approach - Uses valuation techniques to convert future amounts to a single present discounted amount based on market expectations about those future amounts (including present value techniques, option-pricing models, and lattice models).

Fair Value of Financial Instruments

The carrying amounts of the Agency's financial instruments (including cash and cash equivalents, receivables, accounts payable and accrued expenses, and lines of credit) approximates fair value due to the short-term nature of these instruments. Additionally, the carrying amount of the mortgages and bonds payable approximates fair value because the interest rates approximated market rates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2017 and within that interim period. Early application is not permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

In April 2015, the FASB issued an accounting standard update that requires that debt issuance costs related to a recognized debt liability be presented as a direct deduction on the balance sheet from the carrying amount of the debt. The recognition and measurement guidance for debt issuance costs is not affected. The update is effective on a retrospective basis for reporting periods beginning after December 15, 2015, and interim periods within that fiscal year with early adoption permitted for financial statements that have not been previously issued. The Agency is currently evaluating the effect the update will have on its financial statements.

3. CASH AND CASH EQUIVALENTS DESIGNATED - OTHER

Cash and cash equivalents designated – other at June 30, 2015 comprised of the following:

	Restricted Cash Amount
Temporarily restricted contributions	$ 58,554
403(b) tax sheltered annuity plan	73,188
Residential reserve for replacement	979,354
	$ 1,111,096

4. CASH AND CASH EQUIVALENTS DESIGNATED FOR RECOUPMENTS PAYABLE

As of June 30, 2015, the Agency designated cash and cash equivalents of $9,664,397 to settle estimated recoupments payable.

The Agency entered into contracts with OPWDD for the operation of its facilities. Typically, there are over or under payments on these contracts, resulting from rates of reimbursements being subsequently adjusted and reconciled by OPWDD. However, the reconciliation process has not been completed for some contracts in the prior years. Once these reconciliations are completed or an OPWDD program audit is initiated, a timeline and/or methodology will be established as to how and when these amounts will be recouped. It is the policy of the Agency to hold all overpayments as well as qualifying contractual expenses as a recoupment payable pursuant to these contracts until an audit has occurred, and a reconciliation or recoupment process is initiated by the Agency.

As of June 30, 2015, the Agency has a recoupment payable balance of $9,664,397. These amounts are expected to be recouped in the future through designated reductions of remittance payments or by demanding payment of full amount.

4. CASH AND CASH EQUIVALENTS DESIGNATED FOR RECOUPMENTS PAYABLE (CONTINUED)

The recoupment payable is related to transactions incurred as follows:

June 30,		
2015	$	2,179,064
2014		257,370
2013		1,290,268
2012		335,634
2011 and prior		5,602,061
	$	9,664,397

5. CASH AND CASH EQUIVALENTS RESTRICTED TO DEBT SERVICE ESCROW

The cash and cash equivalents related to debt service escrow of $2,735,240 is comprised of the following:

Debt Service Escrow:		
IDA – Bond 2002	$	910,100
DASNY – Bond 2010		749,375
DASNY – Bond 2011		241,064
DASNY – Bond 2013		347,363
DASNY – Bond 2015		487,338
	$	2,735,240

The Debt Service Escrow – IDA – regarding the Industrial Development Agency ("IDA") Bond 2002 represents a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts set up with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required to be made pursuant to the bond agreements (Note 13).

The Debt Service Escrow – DASNY - regarding the Dormitory Authority State of New York ("DASNY") Bonds 2010, 2011, 2013, and 2015 represent a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts set up with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required to be made pursuant to the bond agreement (Note 12).

The amounts from the above earn interest and such interest is applied against the Agency's current year's bond principal pay down obligations.

6. DEBT SERVICE RESERVE FUND DUE FROM NEW YORK STATE

The debt service reserve fund due from New York State of $318,841 represents a portion of the loan proceeds retained by New York State under the terms and conditions set forth in the mortgage agreements for the properties listed in Note 10.

The monies are designated to be applied to scheduled debt service payments in the future by OPWDD.

7. INVESTMENTS

As of June 30, 2015, total investments are comprised of money market, bank certificates of deposit, and mutual funds stated at $4,494,162. Investments consisted of the following:

	Cost	Fair Value
Bank of America - money market	$ 2,820,087	$ 2,820,087
Morgan Stanley - certificates of deposit	1,269,350	1,261,901
Chase - mutual funds	427,019	412,174
Total	$ 4,516,456	$ 4,494,162

Activity in investments is as follows for the year ended June 30, 2015:

Investments - beginning of year	$ 3,953,497
Investment activity:	
Purchases	4,160,410
Investment returns (reinvested)	43,901
Sales and redemptions (at cost)	(3,208,087)
Withdrawals for operations	(433,265)
	562,959
Net depreciation in fair value of investments: unrealized losses	(22,294)
Investments - end of year	$ 4,494,162

Money market, certificates of deposit, and mutual funds securities are valued at the quoted market price of shares held by the Agency at year end.

All of the investments are classified as level 1, as defined in Note 2.

8. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties comprise the following:

Due from Related Parties

Due from related parties of $753,467 on the accompanying consolidated statement of financial position represents net amounts owed from the Parent as follows:

An amount of $762,639 is due from the Parent. This amount includes three outstanding notes with the Parent, plus accrued interest thereon, comprised as follows:

- An unsecured note receivable, executed on April 30, 2010 in the amount of $689,901, for funds that was previously loaned to the Parent by the Agency. The Parent is obligated to pay the outstanding indebtedness in twenty-five equal annual installments of $27,596 on or before April 30th of each year. The outstanding balance on this note, which is non-interest bearing, amounted to $524,325 at June 30, 2015.

8. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

- An interest only unsecured note receivable in the amount of $55,500 due from the Parent. This note accrues interest at a rate of 6% per annum. The note will be repaid when the Parent has sufficient cash flow to make such payments.

- On June 16, 2011, a $300,000 unsecured note was executed with the Parent, accruing interest at a rate of 6% per annum. The outstanding balance on this note amounts to $125,000 at June 30, 2015. The note will be repaid when the Parent has sufficient cash flow to make such payments.

- Total unpaid accrued interest receivable due from the Parent amounted to $57,814 as of June 30, 2015 relating to the above. Related party interest income amounted to $21,630 for the year ended June 30, 2015.

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An amount of $9,172 is due to the Parent for funds that was received by the Agency as repayment of related party receivable that was previously forgiven by the Parent. The amount will be repaid to the Parent in the subsequent period.

Board members of the Parent are also Board members of the Agency.

Other Related Party Transactions

The Agency performs management services to the Agency's Housing and Urban Development ("HUD") affiliate for a fixed annual management fee of $13,585. The Agency also received $14,331 from HUD for reimbursement of certain employee benefits and insurance costs during the year ended June 30, 2015.

The Agency purchases supplies and services from ACRMD Community Mental Retardation Services Company, Inc. ("Community"), which is related because certain Agency employees are board members of Community. The Agency also receives payment from Community for the outsourced labor provided to assist with the processing and packaging of the inventory items which Community sells to the Agency as well as to other non-related entities. During the year ended June 30, 2015, purchases of supplies and services from Community totaled $684,669 and fees from Community for the provision of labor provided by the Agency totaled $148,130. At June 30, 2015, $73,652 was due to Community, which is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position. Additionally, at June 30, 2015, approximately $8,200 was owed to the Agency for outstanding fees, which is included in accounts receivable in the accompanying consolidated statement of financial position. In addition, the Agency also received approximately $17,026 from Community for reimbursement of its portion of fringe benefits and insurance costs paid on behalf of three of the Agency's employees who provide services to the not-for-profit related party. No reimbursable costs were outstanding as of June 30, 2015.

The Agency purchases document storage, messenger, landscaping, and maintenance services from ACRMD Enterprises LLC ("Enterprise"), a wholly-owned subsidiary of Community. During the year ended June 30, 2015, purchases of these services from Enterprise totaled $184,798. In addition, during the year ended June 30, 2015, the Agency also received $18,108 from Enterprise for reimbursement of insurance costs. At June 30, 2015, $20,261 was due to Enterprise, which is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

Management periodically reviews the related party accounts and notes receivable amounts to determine if an allowance is necessary. The related party receivables have been adjusted for all known uncollectible accounts. At June 30, 2015, no allowance was necessary because the related party receivables were determined to be fully collectible.

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

June 30, 2015	Cost	Estimated Useful Lives
Land	$ 4,764,267	
Construction in progress	168,171	
Buildings and improvements	27,688,763	5-20 years
Furniture and equipment	3,434,542	5 years
Vehicles	318,666	4 years
Leasehold improvements	9,398,847	Life of lease
	45,773,256	
Less: accumulated depreciation and amortization	(28,219,401)	
	$ 17,553,855	

The above amounts include land and buildings which were donated to the Agency by the OPWDD. The Agency is subject to adherence of certain terms, conditions, and restrictions as to the use and ultimate disposition of these properties as further delineated in the disposition and subordination agreements entered into with the funding source.

Depreciation and amortization expense was $1,735,900 for the year ended June 30, 2015.

10. MORTGAGES PAYABLE - DASNY

Mortgages payable – DASNY represents self-liquidating term-notes owed to DASNY, which has OPWDD as its agent.

The mortgage notes are collateralized by (i) the real property located at each of the sites (ii) all accounts receivable generated from billings related to the respective locations, and (iii) all personal property owned by the Agency located at each of the sites. The Agency is entitled to credits in an amount equal to the past accrued interest earned on the debt service reserve fund due from New York State for some of the above-mentioned liabilities. When such credits are determined and applied to the corresponding mortgages, then those mortgage liabilities will be reduced accordingly.

Additional information for the mortgages payable - DASNY is reflected below.

Property	Maturity Date	Interest Rate	Outstanding at June 30, 2015
South Avenue	8/15/2015	7.68%	$ 3,616
213-233 48th Street (Sunset I)	2/15/2018	7.34%	292,010
87-21 121st Street (Queens)	2/15/2018	6.41%	765,250
Jumel	8/15/2018	6.41%	307,882
Total Mortgages Payable - DASNY			$ 1,368,758

10. MORTGAGES PAYABLE – DASNY (CONTINUED)

The mortgage balances for the 213-233 48th Street and 87-21 121st Street locations are for the Day Habilitation Program. Since the year ended June 30, 2004, OPWDD allocates a portion of the bond (mortgage) payable to a separate Day Habilitation Medicaid Management Information System ("MMIS") Provider number for debt recovery purposes. However, the total indebtedness does not change.

Under the terms of the mortgages payable – DASNY, the Agency is required to fulfill certain financial covenants.

11. LINES OF CREDIT

Under the terms of a line of credit agreement with Bank of America entered into on March 31, 2015, the Agency may borrow up to $5,000,000 at the bank's prime interest rate plus 0.5% (3.25% at June 30, 2015) through March 31, 2016, when the agreement expires. The Agency's property and leasehold improvements not otherwise encumbered have been pledged as collateral against any advances on the line of credit. The balance outstanding on this line of credit as of June 30, 2015 was $852,382. The Agency is required to fulfill certain financial covenants.

The Agency has a line of credit agreement with J.P. Morgan Chase for a maximum amount of $5,000,000 which expires on June 30, 2016. The proceeds of the line of credit are to be used for operating expenses. Interest is charged at the bank's floating rate of prime plus 0.5% (3.25% at June 30, 2015) and is secured by a lien on the Agency's government receivables not otherwise encumbered. The government receivables totaled $14,905,887 at June 30, 2015 and are reflected in the accompanying financial statements as accrued income receivable. There was no outstanding balance on the line of credit as of June 30, 2015.

12. BONDS PAYABLE - DASNY

Bonds payable – DASNY includes the following at June 30, 2015:

Series	Due Date	Interest Rates	Principal Due
2010 A-1 and A-2	July 2028	2.10% to 5.00%	$ 4,215,000
2011 A-1 and A-2	July 2026	1.40% to 4.00%	1,565,000
2013 A-1 and A-2	July 2038	2.00% to 4.00%	3,490,000
2015 A-1 and A-2	July 2024	1.20% to 4.00%	3,450,000
Total Bonds Payable - DASNY			$ 12,720,000

2010 A-1 and A-2

In March 2010, a bond payable – DASNY was issued in the amount of $6,125,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2010A, subseries 2010A-1, and 2010A-2 (the "2010 Bonds"). The Agency used the proceeds from the 2010 Bonds to pay down $5,485,795 of indebtedness on seven properties.

The interest is payable to the bondholders on a semi-annual basis commencing on August 1, 2010. The principal is payable to the bondholder on an annual basis commencing on August 1, 2011. The cost of the bond issuance amounted to $318,265 of which $125,652 was amortized as of June 30, 2015. The cost of bond discounts amounted to $78,516, of which $31,528 was amortized as of June 30, 2015.

12. BONDS PAYABLE – DASNY (CONTINUED)

The Agency is required to make deposits for interest and principal under the 2010 Bond loan agreement monthly on the 10th day of each month into the debt service escrow fund (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2015	$ 410,000
2016	415,000
2017	415,000
2018	415,000
2019	415,000
Thereafter	2,145,000
	$ 4,215,000

The 2010 Bonds are secured ratably by each applicable mortgage on the properties and the DASNY's security interest in the pledged program service fees revenues subject to prior pledges.

Under the terms of the bonds payable – DASNY, the Agency is required to fulfill certain financial covenants.

2011 A-1 and A-2

On August 17, 2011, a bond payable – DASNY was issued in the amount of $1,925,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2011A, subseries 2011A-1, and subseries 2011 A-2 (the "2011 Bonds"). The Agency used the proceeds from the 2011 Bonds to pay down $1,182,262 of indebtedness on two properties.

The interest rate is not to exceed 4.125% on the Series 2011 Bonds. The interest is payable to the bondholders on an annual basis commencing on July 1, 2012. The cost of the bond issuance amounted to $166,854 of which $41,360 was amortized as of June 30, 2015. The cost of the bond discounts amounted to $12,469 of which $3,222 was amortized during the year ending June 30, 2015.

The Agency is required to make deposits for interest and principal under the loan agreement monthly on the 10th day of each month into the debt service escrow fund (Note 5).

12. BONDS PAYABLE – DASNY (CONTINUED)

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2015	$ 125,000
2016	125,000
2017	130,000
2018	130,000
2019	130,000
Thereafter	925,000
	$ 1,565,000

The 2011 Bonds are secured by each mortgage on the properties and a lien on the furnishings and equipment located at each mortgaged property.

Under the terms of the bond payable – DASNY, the Agency is required to fulfill certain financial covenants.

2013 A-1 and A-2

On March 13, 2013, a bond payable – DASNY was issued in the amount of $3,665,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2013A, subseries 2013A-1, and subseries 2013 A-2 (the "2013 Bonds").

The interest is payable to the bondholders on an annual basis commencing on July 1, 2013. The cost of the bond issuance amounted to $301,396 of which $33,550 was amortized as of June 30, 2015. The cost of the bond discounts amounted to $33,679 of which $2,985 was amortized during the year ending June 30, 2015.

The Agency is required to make deposits for interest and principal under the loan agreement monthly on the 10th day of each month into the debt service escrow fund (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2015	$ 160,000
2016	165,000
2017	165,000
2018	165,000
2019	170,000
Thereafter	2,665,000
	$ 3,490,000

The 2013 Bonds are secured by each mortgage on the properties and a lien on the furnishings and equipment located at each mortgaged property.

Under the terms of the bond payable – DASNY, the Agency is required to fulfill certain financial covenants.

12. BONDS PAYABLE – DASNY (CONTINUED)

2015 A-1 and A-2

On February 11, 2015, a bond payable – DASNY was issued in the amount of $3,450,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2015A, subseries 2015A-1, and subseries 2015 A-2 (the "2015 Bonds"). The Agency used the proceeds from the 2015 Bonds to refinance principal due to the New York City Industrial Development Agency ("IDA") Civic Facility Revenue Bonds, Series 2004 A and Series 2008 A.

The interest is payable to the bondholders on an annual basis commencing on July 1, 2015. The cost of the bond issuance amounted to $187,815 of which $5,076 was amortized as of June 30, 2015.

The Agency is required to make deposits for interest and principal under the loan agreement monthly on the 10th day of each month into the debt service escrow fund (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2015	$ 145,000
2016	505,000
2017	490,000
2018	480,000
2019	325,000
Thereafter	1,505,000
	$ 3,450,000

The 2015 Bonds are secured by each mortgage on the properties and a lien on the furnishings and equipment located at each mortgaged property.

Under the terms of the bond payable – DASNY, the Agency is required to fulfill certain financial covenants.

13. BONDS PAYABLE - IDA

Bonds payable – IDA includes the following at June 30, 2015 :

Series	Due Date	Interest Rates	Principal Due
2002 C-1	July 1, 2017	6.50%	$ 1,100,000
Total Bonds Payable - IDA			$ 1,100,000

Bonds Payable – IDA - 2002

The Bonds payable – IDA – 2002 represents amounts owed relating to the New York City Industrial Development Agency ("IDA") Civic Facility Revenue Bonds (Special Needs Facilities Pooled Program), Series 2002 C-1.

13. BONDS PAYABLE – IDA (CONTINUED)

The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2003. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2003. The cost of the bond issuance amounted to $395,027 of which $320,780 was amortized as of June 30, 2015.

Deposits for interest and principal payments for the bond holders under the loan agreement are to be made monthly and deposited into the applicable debt service escrow accounts by the Agency until it comes due to pay the bondholders (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2015	$ 280,000
2016	280,000
2017	540,000
	$ 1,100,000

Bonds Payable – IDA – General Terms

The Agency anticipates that, periodically, OPWDD will adjust certain program service fees to provide the Agency with the sufficient amounts to repay the debt principal, related interest, and fees. The Series 2002 C-1 bonds will be secured ratably by the IDA's security interest in certain pledged revenues, which amounted to $612,007 for the year ended June 30, 2015, as well as the amounts held in cash and cash equivalents restricted to debt service escrow (Note 5).

The underlying properties secure the respective Bonds with first liens except where otherwise noted.

14. MATURITIES OF DEBT TO THIRD PARTIES

The short-term and long-term third-party debt is comprised of the following:

June 30, 2015	
Mortgages payable – DASNY	$ 1,368,758
Bonds payable – DASNY	12,720,000
Bonds payable – IDA	1,100,000
Line of credit	852,382
	$ 16,041,140

14. MATURITIES OF DEBT TO THIRD PARTIES (CONTINUED)

Approximate maturities of short-term and long-term third-party debt are as follows:

June 30,	
2016	$ 2,445,498
2017	1,994,850
2018	1,661,785
2019	1,215,132
2019	1,040,000
Thereafter	7,683,875
	$ 16,041,140

The above maturities are not reduced by the funds held in the various debt service escrow accounts (Note 5) for interest earned currently and the last year of a particular bond's obligation are utilized to reduce the Agency's payments thereon.

15. SELF FUNDED INSURANCE

All Agency employees have an option to participate in the Agency's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions and is held in a separate reserve bank account. The Agency has contracted with Aetna, Inc., a third-party administrator, to provide administrative services for this health care benefits program. The health care benefits program has stop loss coverage of $150,000 per person and a total of one hundred fifty percent of claims estimated at the beginning of the policy year. As of June 30, 2015, cash designated for this program totaled $3,173,470 and the estimated liability for outstanding claims at June 30, 2015 totaled $1,189,679.

All Agency employees are covered by a self-funded worker's compensation benefits program administered by The Hartford Financial Services Group, Inc. The workers' compensation benefits program has a stop loss policy of $250,000 per incident, up to $1,000,000 for the current policy year. The workers' compensation claims are paid out of employer contributions and is held in a separate reserve bank account. As of June 30, 2015, cash designated for this program totaled $579,891 and the estimated liability for outstanding claims at June 30, 2015 totaled $867,982.

The Agency is partially self-insured for its workers compensation commitments. Accordingly, the Agency has provided $2,465,000 in Letters of Credit for performance guarantees, which are secured by deposits totaling $2,820,000 on the accompanying consolidated statement of financial position.

16. DEFINED BENEFIT PENSION PLAN

The Agency has a defined benefit pension plan (the "Plan") covering all of its eligible employees. The benefits are based on years of service and the employee's highest five years of compensation during the last ten years of employment. The Agency's funding policy is to contribute annually the required amount that should be deducted in accordance with federal income tax guidelines. The Agency's contributions for calendar year 2014 met the minimum funding requirements of the Employee Retirement Income Security Act of 1974 ("ERISA").

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Agency, as the sponsor of the Plan, froze the Plan effective December 31, 2010. Although the Plan remains frozen, the Agency has the ability to unfreeze the Plan in the future, subject to certain conditions.

The Agency is required to contribute approximately $1,240,000 to its defined benefit plan for the year ended June 30, 2015.

Under U.S. GAAP, a liability is disclosed at fiscal year-end. The pension liability is an aggregation of the excess of total benefit obligation over fair value of plan assets at the end of the year. There is a cumulative amount totaling $5,180,577 of pension liability as of June 30, 2015.

The changes in the defined benefit pension obligations, plan assets and funded status for the year ended June 30, 2015 were as follows:

	Pension Benefits
Reconciliation of benefit obligation:	
Benefit obligation, beginning of year	$ 37,827,699
Service cost	-
Interest cost	1,606,896
Actuarial gain	(97,730)
Benefits paid	(1,062,080)
Benefit obligation, end of year	$ 38,274,785
Reconciliation of fair value of plan assets:	
Fair value of plan assets, beginning of year	$ 32,262,313
Actual return on plan assets	655,011
Employer contributions	1,238,964
Benefits paid	(1,062,080)
Fair value of plan assets, end of year	$ 33,094,208
Funded status, end of year	$ (5,180,577)

Assumptions

Without the exception of the discount rate, the Agency's independent enrolled actuary certified the following significant weighted-average assumptions in order to determine benefit obligations net periodic pension cost as of June 30, 2015:

Discount rate	4.43%
Expected long-term rate of return on plan assets	7.00%
Rate of compensation increase	0.00%

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net periodic pension benefit and other amounts recognized in the statement of activities for the year ended June 30, 2015 included the following components:

Service cost	$ -
Interest cost	1,606,896
Expected return on plan assets	(2,249,634)
Amortization of net loss	541,134
Net periodic pension benefit	$ (101,604)

Investment Strategies

With respect to the Plan assets, investments are to be made consistent with the safeguards and diversity to which a prudent investor would adhere to. Following is a description of the investment guidelines used for the Plan's investment funds:

Equities - General assurances by the Plan's Investment Advisor includes criteria that no more than 2% of the equity position of the entire Plan assets portfolio at cost, and 3% at market value, shall be invested in any one company, and no more than 50% of any individual Money Manager's portfolio at cost, and 60% at market value shall be invested in any one company. Investment possibilities includes 1) common stock listed on any U.S. exchange or the over-the-counter market with the requirement that such stock have, in the reasonable opinion of each of the Money Managers, adequate market liquidity relative to the size of the investment, 2) foreign ordinary securities, 3) international investments managed by an International/Global Money Manager which adhere to specific criteria, including a limitation that no more than 20% of the value of the managed international portfolio's total assets, measured at time of purchase may be invested in securities of companies in emerging securities markets throughout the world, and 4) exchange traded funds (not subject to the diversification guidelines above. Furthermore, there are several categories of securities and types of transactions that are not permissible for investments and should not be part of the portfolio, including short sales, put and call options, margin purchases, private placements, commodities, securities of the Investment Advisor or any of the Money Managers, their direct parent or their subsidiaries, penny stocks, and derivatives. In addition, the Agency may identify additional securities to be restricted.

Fixed Income - Diversification of the fund includes assurances that no more than 5% of the Plan's portfolio should be invested in bonds of any one issuer, and there shall be no limit on direct obligations of the U.S. government. The Plan should not invest in any fixed-income security carrying a rating less than BBB/Baa by either Standard & Poor or Moody's. If issues are downgraded so as to violate these guidelines, the Plan's Trustee should judiciously liquidate them. Issues within a quality high yield mutual fund are exempt from this provision. With regards to maturity, the market value weighted average maturity of the bond portfolio should not exceed 15 years, and no holding may have an absolute maturity of more than 30 years at the time of purchase. Generally, fixed income investments includes debt securities guaranteed by the U.S. government, corporate bonds, high quality and high yield mutual funds, international bond mutual funds, indexed notes, Yankee bonds, and preferred stock issues.

Corporate Bonds - Valued at the closing price reported in the active market in which the bond is traded.

Equities - Valued at the closing price reported on the major stock exchanges.

Government Securities - Valued at the closing price reported in active market in which the individual security is traded.

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Mutual Funds - Valued using market value as listed in active exchange markets.

Municipal Bonds - Valued at the closing price reported in active market in which the individual security is traded.

International Bonds - Valued at the closing price reported in active market in which the individual security is traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan 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 pension plan asset allocations, along with respective dollar values and fair value measurements, at June 30, 2015, by asset category are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Funds	$ 1,650,388	$ 1,650,388	$ -	$ -
Equities:				
Basic Materials	166,199	166,199	-	-
Consumer Goods	447,999	447,999	-	-
Financials	1,691,520	1,691,520	-	-
Healthcare	714,772	714,772	-	-
Industrial Goods	469,978	469,978	-	-
Oil & Gas	501,999	501,999	-	-
Services	1,371,789	1,371,789	-	-
Technology	1,082,194	1,082,194	-	-
Utilities	29,211	29,211	-	-
Government Securities	1,262,288	1,262,288	-	-
Municipal Bonds	235,216	235,216	-	-
International Bonds	889,909	889,909	-	-
Corporate Bonds	8,945,621	8,945,621	-	-
Mutual Funds:				
Mid Cap Growth	1,001,758	1,001,758	-	-
Mid Cap Value	1,023,441	1,023,441	-	-
Small Cap Value	356,580	356,580	-	-
Large Cap Foreign	2,610,296	2,610,296	-	-
Large Cap Growth	4,964,653	4,964,653	-	-
Large Cap Value	205,041	205,041	-	-
Emerging Markets	2,507,988	2,507,988	-	-
REITs	965,368	965,368	-	-
	$ 33,094,208	$ 33,094,208	$ -	$ -

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Transfer Between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Expected Future Benefit Payments

Benefit payments for defined benefit pension plans, which reflect expected future service, as appropriate, are expected to be paid as follows:

June 30,	Pension benefits expected to be paid
2016	$ 1,433,597
2017	1,167,904
2018	1,254,167
2019	1,336,513
2020	1,455,791
2021 - 2025	8,828,544
	$ 15,476,516

17. POSTRETIREMENT HEALTH CARE BENEFIT PLAN

The Agency sponsors a defined benefit postretirement health care benefit plan.

Plan Provisions

Retired Prior to January 1, 2000

For certain long-service employees, the plan will pay the monthly premium for the participant (and eligible spouse) to continue coverage under the pre-2000 postretirement plan.

Retired January 1, 2001 and Later

For employees who retire on or after age 65 with at least 20 years of service, the Agency will enroll the retiree and eligible spouse in an AARP Medicare Supplement plan and contribute the following towards such coverage (for each retiree and eligible spouse):

-- 20 years of service	Plan E	--$130.25 per month
-- 25 years of service	Plan G	--$152.25 per month
-- 30 years of service	Plan I	--$259.00 per month

17. POSTRETIREMENT HEALTH CARE BENEFIT PLAN (CONTINUED)

For employees who retire between ages 62 and 65, with the requisite years of service, the Agency will contribute, as per the above schedule, towards coverage under the current active employee's plan, until Medicare eligibility. At that time, the retiree will be treated in the same fashion as a post-65 retiree.

If an eligible spouse is not Medicare eligible, the Agency will contribute towards coverage under the current active employees' plan in an amount based on the retiree's service as described above.

Determination of the Net Periodic Benefit Cost for the Fiscal Year

Net periodic benefit cost and other amounts recognized in unrestricted net assets for the year ended June 30, 2015 included the following components:

Service cost		$ 327,252
Interest cost		292,226
Amortization:		
(a) Transition obligation	-	
(b) Prior service cost	63,914	
(c) (Gain) loss	17,763	
Net amortization		81,677
Net periodic benefit cost		$ 701,155

Reconciliation of Funded Status for the Fiscal Year Ended June 30, 2015

Accumulated postretirement benefit liability at June 30, 2015	$ 4,728,247
Net liability recognized at June 30, 2015	$ 4,728,247

Net Amount Recognized in Consolidated Statement of Financial Position

Beginning of year	$ 6,787,125
Service cost	327,252
Interest cost	292,226
Expected return on plan assets	-
Employer contributions	(67,832)
Net gain	(2,610,524)
Prior service credit (cost)	-
End of year	$ 4,728,247

17. POSTRETIREMENT HEALTH CARE BENEFIT PLAN (CONTINUED)

Assumptions

Mortality:	RP 2000 Separate Annuitants and Non-Annuitants Mortality Tables with generational projection scale AA, for males and females
Claim cost:	Monthly premium
Trend:	4.50% - 7.30% – based on the year of retirement
Funding method:	Projected Unit Credit Actuarial Cost Method

a) The discount rate was changed from 4.33% to 4.43%, which decreased the accumulated postretirement benefit liability by approximately $90,000.

b) Based upon the plan provisions, the Affordable Care Act will have an immaterial effect on the accumulated postretirement benefit obligation and the net periodic benefit cost of the Agency's postretirement health care benefit plan.

	Postretirement Benefits	
	Accumulated Postretirement Benefit Liability	Service Cost Plus Interest Cost
At trend	$ 4,728,247	$ 619,478
At trend + 1%	4,776,612	622,007
Dollar impact	48,365	2,529
Percentage impact	1.02%	0.41%
At trend – 1%	4,684,164	617,312
Dollar impact	(44,083)	(2,166)
Percentage impact	-0.93%	-0.35%

Expected Future Benefit Payments

Benefit payments for postretirement health care benefit plans, which reflect expected future service, as appropriate, are expected to be paid as follows:

June 30,	Postretirement Benefits
2016	$ 91,797
2017	102,245
2018	113,744
2019	126,981
2020	142,598
2021 - 2025	1,011,879
	$ 1,589,244

18. TEMPORARILY RESTRICTED NET ASSETS

The changes in contributions, which comprise the Agency's temporarily restricted net assets for the year ended June 30, 2015, which are available for use in future years, were as follows:

	Balance at 6/30/14	Additions	Expenditures	Balance at 6/30/15
Program	$ 45,265	13,289	-	$ 58,554

The funds released from restrictions were used towards other expenses for some of the Agency's programs.

19. COMMITMENTS AND CONTINGENCIES

General

Pursuant to the Agency's contractual relationships with certain funding sources, outside agencies have the right to examine the Agency's books and records which pertain to transactions relating to these contracts. The accompanying consolidated financial statements do not include a provision for possible disallowances and reimbursements. Management believes that any actual disallowances, if any, would be immaterial. In addition, certain agreements provide that certain property and equipment owned by or on loan to the Agency (Note 9) be utilized by the Agency for its continued ownership, since the costs of such property and equipment were funded under these agreements ("Reversing Assets").

There are certain amounts of real and personal property used by the Agency in its program operations which is owned by New York State and/or other governmental sources. The Agency uses some of these real and personal properties at no cost. The value of the benefit received for use of these real and personal properties is not readily measurable, is not recorded in the accompanying consolidated financial statements, and is consistent with similar industry practices.

The Agency has a number of pending lawsuits and/or claims against them for a variety of reasons. The alleged claims are being handled by legal counsel and/or by its insurance providers. In the opinion of the Agency's legal counsel and management, there is no basis to establish a liability for any loss contingency due to lack of merit or insurance coverage exceeding expected settlement amounts.

On March 13, 2013, the Agency entered into a collective bargaining agreement with the Civil Service Employees Association, Inc. ("CSEA"). The collective bargaining agreement expired on June 30, 2015. Negotiations between management and the union have commenced and are ongoing as of the report date. It is not possible at this time to determine the financial impact a new contract will have on the Agency.

Approximately 74% of the Agency's labor is represented by the CSEA.

19. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases

The Agency is obligated, pursuant to real property lease agreements, for minimum monthly rentals for its administrative and program operations as follows:

June 30,		
2016	$	6,141,138
2017		4,799,382
2018		3,834,657
2019		3,421,216
2020		3,309,628
Thereafter		8,933,662
	$	30,439,683

For the year ended June 30, 2015, rent expense was $6,631,351, which was generally recovered through fees for service from the funding sources.

A renewal option allows the Agency, at its sole option, the right to extend some of the leases for an additional five-year period with a predetermined rent base amount with annual rent percentage increases. Various leases have rent escalations in which various predetermined annual percentage increases exist throughout the lease periods. A clause exists whereby, in the event that real estate taxes increase during the term of some of the leases, the Agency shall pay any increases in real estate taxes over the base year.

20. 403(b) TAX – SHELTERED ANNUITY PLAN

The Agency offers a 403(b) tax-sheltered annuity plan for all employees who are eligible and elect to participate. The plan is governed by IRS regulations setting the limits on the amount that employees may contribute and the conditions to withdraw monies from it. The employees each own their individual annuity plan and are responsible for deciding the amount of contributions they wish to make each year (up to the maximum stipulated by the IRS) and how the funds may be invested. There are no employer contributions.

21. DEFINED CONTRIBUTION PROFIT SHARING PLAN

The Agency has established a defined contribution profit sharing plan (“401K Plan”) for certain employees who satisfy age and service requirements. Participants are not allowed to contribute to the 401K Plan, and rollover contributions are not allowed in the 401K Plan. At the end of the 401K Plan year, the Agency, at the discretion of its board of directors, may make a profit sharing contribution, as defined in the 401K Plan document whereby the profit sharing contribution shall be allocated to the individual accounts of qualifying participants in the ratio that each qualifying participant’s compensation for the 401K Plan year bears to the total compensation of all qualifying participants.

There were no employer contributions for the year ended June 30, 2015.

22. CONCENTRATION OF CREDIT RISK

The Agency has maintained bank balances that often exceed the limit of the Federal Depository Insurance Corporation insurance coverage. The Agency verifies, on a quarterly basis, the equity strength and profitability of the banks it uses in order to minimize the risk.

Approximately 13% of the Agency's accounts payable and accrued expenses as of June 30, 2015 were derived from one vendor.

The Agency earns its revenue and records related receivables primarily from service fees provided to individuals with developmental disabilities within the New York City area. A significant portion of all of the Agency's revenue and receivables are received from Medicaid.

23. RISKS AND UNCERTAINTIES

The Agency's pension 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 value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying consolidated statement of financial position.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the consolidated financial statements.

The Agency is subject to indemnification clauses should they cause any of the tax exempt bonds to lose their tax exempt status.

The Agency's self funded insurance liability is based upon estimated claims at current year end. The actual claims may exceed the recorded amount.

24. SUBSEQUENT EVENTS

OPWDD has created a "Transformation Task Force," seeking input from families and providers on the issues facing the developmental disabilities community such as, waiting list for residential opportunities, raising the minimum wage, transformation of employment, rate rationalization impact, self-directed services, housing, Developmental Disabilities Individual Support and Care Coordination Organization ("DISCO") implementation, Coordinated assessment tool ("CAS"), and value-based payment system for the preparation to transitioning to Managed Care. At this moment, Managed Care may not be implemented until later years.

The Agency has evaluated events through November 23, 2015, which is the date the financial statements were available to be issued.

LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

LIFESPIRE, INC. AND SUBSIDIARY

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MBAF
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lifespire, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lifespire, Inc. and Subsidiary (the "Agency"), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 of 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 Agency'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 Agency'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 consolidated financial position of Lifespire, Inc. and Subsidiary as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MBAF CPAs, LLC

New York, NY
November 24, 2014

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Cash and cash equivalents	$ 18,179,568
Cash and cash equivalents designated for recoupments payable	16,518,610
Cash and cash equivalents designated for self funded insurance	5,732,607
Cash and cash equivalents designated for health reimbursement accounts	2,003,981
Cash and cash equivalents restricted to debt service escrow	4,050,918
Cash and cash equivalents designated - other	1,048,351
Investments	3,953,497
Debt service reserve fund due from New York State	318,841
Accounts receivable, net	130,426
Accrued income receivable	17,449,252
Due from related parties	923,636
Security deposits and prepaid expenses	638,265
Property and equipment, net	17,526,446
Deferred charges, net	4,206,898
TOTAL ASSETS	**$ 92,681,296**

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued expenses	$ 6,897,095
Accrued payroll	4,724,939
Accrued compensated absences	3,649,411
Recoupments payable	16,518,610
Mortgages payable - DASNY	1,850,083
Bonds payable - DASNY	10,045,000
Bonds payable - IDA	6,140,000
Lines of credit	547,382
Deferred rent	3,013,328
Self funded insurance liability	2,310,997
Pension liability	5,565,386
Postretirement health insurance liability	6,787,122
TOTAL LIABILITIES	68,049,353
NET ASSETS	
Unrestricted:	
Undesignated	10,549,405
Residential reserve for replacement	929,971
Property and equipment	5,006,900
Board designated - program expansion	1,077,795
Board designated - anticipated pension contributions	1,290,000
Board designated - self funded insurance	5,732,607
	24,586,678
Temporarily restricted	45,265
TOTAL NET ASSETS	24,631,943
TOTAL LIABILITIES AND NET ASSETS	**$ 92,681,296**

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

REVENUE - PROGRAM OPERATIONS	
Program service fees	$ 97,224,712
Participants' share of room and board	3,307,496
Subcontract	497,939
DASNY bond fees	609,545
	101,639,692
Net assets released from restrictions	2,297
TOTAL REVENUE - PROGRAM OPERATIONS	101,641,989
EXPENSES	
Program services	93,884,777
Management and administration	5,538,296
TOTAL EXPENSES	99,423,073
CHANGE IN UNRESTRICTED NET ASSETS BEFORE OTHER REVENUE (EXPENSE) AND PENSION AND HEALTH CARE BENEFIT PLAN-RELATED CHANGES	2,218,916
OTHER REVENUE (EXPENSE)	
Investment income	188,727
Contributions and fundraising	3,294
Retroactive rate adjustments	(1,026,857)
Miscellaneous	(33,228)
TOTAL OTHER REVENUE (EXPENSE)	(868,064)
CHANGE IN UNRESTRICTED NET ASSETS BEFORE PENSION AND HEALTH CARE BENEFIT PLAN-RELATED CHANGES	1,350,852
Pension related change other than net periodic pension benefits (costs)	(1,270,277)
Post-retirement health care benefit change other than net periodic benefits (costs)	(630,696)
CHANGE IN UNRESTRICTED NET ASSETS	(550,121)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Donors	3,100
Fundraising	696
Net assets released from restrictions	(2,297)
	1,499
CHANGE IN NET ASSETS	(548,622)
NET ASSETS - BEGINNING OF YEAR	25,180,565
NET ASSETS - END OF YEAR	**$ 24,631,943**

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	$	25,136,799
Change in unrestricted net assets		(550,121)
UNRESTRICTED NET ASSETS - END OF YEAR	$	24,586,678
TEMPORARILY RESTRICTED NET ASSETS - BEGINNING OF YEAR	$	43,766
Change in temporarily restricted net assets		1,499
TEMPORARILY RESTRICTED NET ASSETS - END OF YEAR	$	45,265

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services							
	Waiver Services	Vocational Services	Residential	Mental Health	Other Programs	Total Program Services	Management and Administration	Total Expenses
Salaries	$ 15,896,077	$ 33,597	$ 18,640,472	$ 671,675	$ 3,634,514	$ 38,876,335	$ 2,439,399	$ 41,315,734
Payroll taxes and benefits	6,561,533	13,442	6,834,103	218,868	1,318,789	14,946,735	772,084	15,718,819
Total personnel costs	22,457,610	47,039	25,474,575	890,543	4,953,303	53,823,070	3,211,483	57,034,553
Professional fees and contracted services	880,199	1,432	1,672,032	98,398	2,874,825	5,526,886	323,608	5,850,494
General and professional liability insurance	396,508	26,568	274,756	47,476	38,076	783,384	213,724	997,108
Supplies and expenses:								
Food, household supplies and services	124,639	2,446	2,613,204	2,673	16,918	2,759,880	16,657	2,776,537
Rent and real estate taxes	3,277,836	318,100	2,625,690	171,157	511,035	6,903,818	482,425	7,386,243
Transportation	9,657,072	144,221	1,061,652	49,763	100,940	11,013,648	133,292	11,146,940
Utilities and telephone	994,360	64,494	1,030,499	86,837	270,316	2,446,506	149,685	2,596,191
Maintenance and repair	316,611	11,017	804,497	20,403	73,747	1,226,275	64,261	1,290,536
General	1,079,403	298,845	2,972,598	87,164	798,701	5,236,711	928,233	6,164,944
Total expenses before interest, fees, and bond expense, and depreciation and amortization	39,184,238	914,162	38,529,503	1,454,414	9,637,861	89,720,178	5,523,368	95,243,546
Interest, fees, and bond expense	609,593	34,374	1,745,732	-	14,913	2,404,612	-	2,404,612
Depreciation and amortization	642,759	79,864	967,992	21,032	48,340	1,759,987	14,928	1,774,915
TOTAL EXPENSES	$ 40,436,590	$ 1,028,400	$ 41,243,227	$ 1,475,446	$ 9,701,114	$ 93,884,777	$ 5,538,296	$ 99,423,073

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (548,622)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,774,915
Amortization of bond issue costs	227,644
Unrealized gains on investments	(8,598)
Bad debt recovery	(263)
Changes in operating assets and liabilities:	
Accounts receivable	181,414
Note receivable	246,650
Accrued income receivable	605,164
Due from related parties	37,789
Security deposits and prepaid expenses	90,619
Accounts payable and accrued expenses	(569,354)
Accrued payroll	(2,179,925)
Accrued compensated absences	(214,802)
Recoupments payable	110,740
Self funded insurance liability	261,174
Pension liability	(486,703)
Postretirement health insurance liability	1,191,556
NET CASH PROVIDED BY OPERATING ACTIVITIES	719,398
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash and cash equivalents restricted to debt service escrow	(67,318)
Cash and cash equivalents restricted - other	911,715
Purchases of investments	(2,974,008)
Proceeds from sales of investments	2,810,585
Purchases of property and equipment	(1,432,826)
NET CASH USED IN INVESTING ACTIVITIES	(751,852)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayments of mortgages payable - DASNY	(446,875)
Repayments of bonds payable - DASNY	(615,000)
Proceeds from line of credit	547,382
Repayments of bonds payable - IDA	(875,000)
Payments of bond issuance costs	(16,785)
NET CASH USED IN FINANCING ACTIVITIES	(1,406,278)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,438,732)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	44,921,849
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 43,483,117
RECONCILIATION FOR UNRESTRICTED CASH & CASH EQUIVALENTS	
Cash and cash equivalents	$ 18,179,568
Cash and cash equivalents designated for recoupments payable	16,518,610
Cash and cash equivalents designated for self funded insurance	5,732,607
Cash and cash equivalents designated for health reimbursement accounts	2,003,981
Cash and cash equivalents designated - other	1,048,351
CASH AND CASH EQUIVALENTS - END OF YEAR, UNRESTRICTED	$ 43,483,117
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	$ 825,924

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION

Lifespire, Inc. and Subsidiary (collectively, the “Agency”) serves individuals with disabilities and their families through various programs which include, but are not limited to, residential, rehabilitation, and day programs. The Agency is funded through government programs, consumer contributions, and gifts. It is the Agency’s aim to provide individuals with disabilities the assistance and support necessary to achieve a level of functional behaviors and cognitive skills to enable them to maintain themselves in their community in the most integrated and independent manner possible. Lifespire Services, Inc. (“Parent”) is the sole member of the Agency.

2. SIGNIFICANT ACCOUNTING POLICIES

Tax Status

The Agency, according to the Internal Revenue Service (“IRS”), was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and under the corresponding provisions of the New York State and New York City income tax laws. Under these provisions, the Agency is exempt from federal and state income taxes and, therefore, has made no provision for income taxes in the accompanying consolidated financial statements.

The Agency follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the consolidated financial statements. It also provides guidance for de-recognition, classification, interest and penalties, disclosure and transition.

The Agency is subject to audit by tax authorities. In assessing the realizability of tax benefits, management considers whether it is more likely than not that some portion or all of any tax position will not be realized. Management believes that its tax-exempt status would be sustained upon examination. Management believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

If applicable, the Agency would classify interest and penalties on underpayments of income tax as miscellaneous expenses.

The Agency files federal and New York State informational returns. With few exceptions, the Agency is no longer subject to federal or state income tax examinations by tax authorities for fiscal years before June 30, 2011.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The classification of the Agency's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These classes are defined as follows:

Permanently Restricted - Net assets resulting from (a) 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, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications from other classes of net assets as a consequence of donor-imposed stipulations.

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 statement of activities. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Agency reports the support as unrestricted.

Unrestricted - The part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Some of these net assets are undesignated but some are designated by the Board of Directors (“Board”) as set forth below:

Residential Reserve for Replacement - There is an amount of $929,971 as residential reserve for replacement. Such reserve was designated by the New York State Office for People with Developmental Disabilities (“OPWDD”) for the reimbursement of building renovations and improvements for Agency-owned residential properties. This reimbursement mechanism does not apply to residential properties that are leased.

The Agency has the ability to utilize the residential reserve funding for all of its certified residential sites within each class of residences. These funds are not interchangeable among program types.

Property and Equipment - There is a designated amount of $5,006,900 of unrestricted net assets which represents the excess of the net book value of property and equipment over the related debt.

Board Designated-Program Expansion - The Board has designated an amount of $1,077,795 of unrestricted net assets for future programmatic expansion. The monies, which are not segregated, are used to alleviate the ongoing financial pressures on the Agency due to the timing of collections of government funding, the limitations on available government funding, and the limited fund-raising activities undertaken by the Agency. The Agency has minimum monthly operating cash requirements of approximately $8,890,000 to finance its program operations.

Board Designated-Anticipated Pension Contributions - The Board has designated an amount of $1,290,000 of unrestricted net assets for defined benefit pension plan contributions anticipated to make during the year ended June 30, 2015.

Board Designated-Self Funded Insurance - The Board has designated an amount of $5,732,607 of unrestricted net assets for payments of current and future claims related to the Agency’s self funded insurance plans.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The consolidated financial statements include the financial activity of Lifespire, Inc. ("Lifespire") and its wholly-owned subsidiary, Manhattan Management Solutions, LLC (the "Organization"). The Organization provides consulting services to other not-for-profit organizations. Lifespire consolidates the Organization because it has both (i) an economic interest in, and (ii) control over the Organization through a majority voting interest in its governing board. The Organization had no activity for the year ended June 30, 2014. Any inter-entity transactions are eliminated in consolidation.

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 and the reported amounts of revenues and expenses during the reporting period. Management has determined that estimates of program service fees and related recoupment payable (see Note 4) and self-insurance are subject to change in the near term. Actual results could differ from those estimates.

Subsequent Events

The Agency has evaluated events through November 24, 2014, which is the date the consolidated financial statements were available to be issued.

Cash and Cash Equivalents

The Agency considers all highly liquid investments with an original maturity date of three months or less at the time of purchase to be cash equivalents. Restricted cash and cash equivalents as of June 30, 2014 are described in Note 5.

Investments

Investments are comprised of certificates of deposits with varying maturity dates and mutual funds. These investments are stated at fair value. Income from investments is considered unrestricted unless restricted by a donor.

Accounts Receivable, Net

All known uncollected accounts receivable have been adjusted to net realizable value as of June 30, 2014. The allowance for doubtful accounts, which amounts to $6,332 at June 30, 2014, is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts. Management generally uses 5% of total subcontract accounts receivable as the basis for the calculation of allowance for doubtful accounts based on historical experience and economic conditions.

Program Service Fees and Accrued Income Receivable

The Agency receives a major portion of its program service fees from Medicaid in conjunction with the OPWDD, the Social Security Administration ("SSA") and directly from the OPWDD. At June 30, 2014, substantially all of the accrued income receivable of $17,449,252 is due from these governmental agencies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Agency recognizes revenue as services are provided. The amount is determined by the funding agencies either by a fee for service or a cost based fee. These fees are subject to periodic review and revision by the funding agencies. During the year ended June 30, 2014, the Agency recognized $1,026,857 in retroactive rate adjustments.

The current third-party-payor programs, including Medicaid and Medicare, are based upon complex laws and regulations. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. No such fines, penalties and exclusions were imposed on the Agency during the fiscal year ended June 30, 2014.

Property and Equipment

Property and equipment are stated at cost, or at fair market value if donated, less accumulated depreciation and amortization. Maintenance and repairs are charged to expense as incurred; major improvements are capitalized in accordance with funding source guidelines. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful life of the asset. These amounts do not purport to represent replacement or realizable values. The Agency capitalizes individual items costing in excess of $5,000.

Impairment

The Agency reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the Agency recognizes an impairment loss. No impairment losses were recognized for the year ended June 30, 2014.

In-Kind Contributions

In-kind contributions consist of property and services donated by state agencies and individuals which are measured at fair value at the date of donation. There were no in-kind contributions received by the Agency during the year ended June 30, 2014.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled $52,845 for the year ended June 30, 2014, and is included in general expenses in the accompanying consolidated statement of functional expenses.

Deferred Rent

The Agency leases program and office space whereby the various landlords provide periods of scheduled increases in the minimum amounts charged. Rent expense related to the minimum rentals is recognized on a straight-line basis over the term of the respective leases. The accompanying consolidated statement of financial position reflects a liability of $3,013,328 at June 30, 2014 relating to deferred rent. The change in this liability is reflected as a charge to rent and real estate taxes in the accompanying consolidated statement of functional expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Charges

Deferred charges comprise the following:

Bond Costs - Bond issuance costs, which also reflect bond premiums and discounts, are amortized over the life of the respective bond issue. Bond costs amounted to $1,193,570 at June 30, 2014, which is net of accumulated amortization. Amortization expense of these costs for the year ended June 30, 2014 was $227,644. Such amortization is included in interest, fees and bond expense of $2,404,612 shown in the accompanying consolidated statement of functional expenses.

Deferred Rent Recovery - OPWDD includes in the reimbursement rate paid to service providers a component for rents paid in accordance with lease terms. The Agency recognizes such amounts, however, based upon the future stream of payments for rent that is required to be recognized under U.S. GAAP that is in excess of the cumulative rents incurred up to date. The difference between the revenue recognized and the rents incurred over their lease terms (which is the reimbursement from OPWDD) is reflected as a deferred charge on the consolidated statement of financial position. This deferred charge represents a timing difference which will accumulate over the earlier periods of the rent expense recognition for a respective lease and will reverse during the latter periods of the rent payments. The deferred charge amounted to $3,013,328 at June 30, 2014. For the year ended June 30, 2014, the decrease in deferred rent recovery amounted to $46,428 and is reflected as miscellaneous expenses in the accompanying consolidated statement of activities.

Self Funded Health and Workers' Compensation Insurance

The Agency is self funded for health and workers' compensation insurance on all employees. At June 30, 2014, the Agency recorded a liability of $2,310,997 for claims that have been incurred but not paid for employees covered by the self funded plans.

Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications based upon benefits received.

Fair Value Measurements

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.

The accounting standards codification establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs to be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Agency. Unobservable inputs reflect the Agency's assumption about inputs that market participants would use at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 1 - Valuation based on quoted prices in active markets for identical assets or liabilities that the Agency has the ability to access.

Level 2 - Valuation based on quoted prices for similar assets or liabilities in active markets; for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Level 3 assets and liabilities measured at fair value are based on one or more of the following three valuation techniques noted in the standard:

- Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

- Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (i.e. current replacement cost); and

- Income approach - Uses valuation techniques to convert future amounts to a single present discounted amount based on market expectations about those future amounts (including present value techniques, option-pricing models, and lattice models).

The carrying amounts of the Agency's financial instruments (including cash and cash equivalents, receivables, accounts payable and accrued expenses, and lines of credit) approximates fair value due to the short-term nature of these instruments. Additionally, the carrying amount of the mortgages and bonds payable approximates fair value based on the variable nature of the interest rates.

Recent Accounting Pronouncements

In May 2014, the FASB issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2017 and in interim periods in annual periods beginning after December 15, 2018. Early application is not permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

3. CASH AND CASH EQUIVALENTS DESIGNATED - OTHER

Cash and cash equivalents designated – other at June 30, 2014 comprised of the following:

	Restricted Cash Amount
Temporarily restricted contributions	$ 45,265
403(b) tax sheltered annuity plan	73,115
Residential reserve for replacement	929,971
	$ 1,048,351

4. CASH AND CASH EQUIVALENTS DESIGNATED FOR RECOUPMENTS PAYABLE

As of June 30, 2014, the Agency designated cash and cash equivalents of $16,518,610 to settle estimated recoupments payable.

The Agency entered into contracts with OPWDD for the operation of its facilities. Typically, there are over or under payments on these contracts, resulting from rates of reimbursements being subsequently adjusted and reconciled by OPWDD. However, the reconciliation process has not been completed for some contracts in the prior years. Once these reconciliations are completed or an OPWDD program audit is initiated, a timeline and/or methodology will be established as to how and when these amounts will be recouped. It is the policy of the Agency to hold all overpayments as well as qualifying contractual expenses as a recoupment payable pursuant to these contracts until an audit has occurred, and a reconciliation or recoupment process is initiated by the Agency.

As of June 30, 2014, the Agency has a recoupment payable balance of $16,518,610. These amounts are expected to be recouped in the future through designated reductions of remittance payments or by demanding payment of full amount.

In October 2014, the Agency remitted payments totaling $7,116,144 relating to a portion of the recoupments payable balance at June 30, 2014.

The recoupment payable is related to transactions incurred as follows:

June 30,	
2014	$ 2,293,013
2013	2,832,545
2012	2,765,686
2011	87,199
2010 and prior	8,540,167
	$ 16,518,610

5. CASH AND CASH EQUIVALENTS RESTRICTED TO DEBT SERVICE ESCROW

The cash and cash equivalents related to debt service escrow of $4,050,918 is comprised of the following:

Debt Service Escrow:		
IDA – Bond 2002	$	922,186
IDA – Bond 2004		1,098,444
IDA – Bond 2008		587,530
DASNY – Bond 2010		840,382
DASNY – Bond 2011		248,838
DASNY – Bond 2013		353,538
	$	4,050,918

The Debt Service Escrow – IDA – regarding the Industrial Development Agency ("IDA") Bonds 2002, 2004 and 2008 represents a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts set up with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required to be made pursuant to the bond agreements (Note 13).

The Debt Service Escrow – DASNY - regarding the Dormitory Authority State of New York ("DASNY") Bonds 2010, 2011, and 2013 represent a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts set up with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required to be made pursuant to the bond agreement (Note 12).

The amounts from the above earn interest and such interest is applied against the Agency's current year's bond principal pay down obligations. All remaining funds are applied against the last year's principal pay down of the applicable bond issue.

6. DEBT SERVICE RESERVE FUND DUE FROM NEW YORK STATE

The debt service reserve fund due from New York State of $318,841 represents a portion of the loan proceeds retained by New York State under the terms and conditions set forth in the mortgage agreements for the properties listed in Note 10.

The monies are designated to be applied to scheduled debt service payments in the future by OPWDD.

7. INVESTMENTS

As of June 30, 2014, total investments are comprised of money market, bank certificates of deposit, and mutual funds stated at $3,953,497. Investments consisted of the following:

		Cost		Fair Value
Bank of America - money market	$	2,295,087	$	2,295,087
Morgan Stanley - certificates of deposit		1,233,860		1,249,714
Chase - mutual funds		414,981		408,696
Total	$	3,943,928	$	3,953,497

7. INVESTMENTS (CONTINUED)

Activity in investments is as follows for the year ended June 30, 2014:

Investments - beginning of year	$	3,781,476
Investment activity:		
Purchases		2,933,738
Investment returns (reinvested)		40,270
Sales and redemptions (at cost)		(2,775,085)
Withdrawals for operations		(35,500)
		163,423
Net appreciation in fair value of investments: unrealized gains		8,598
Investments - end of year	$	3,953,497

Money market, certificates of deposit, and mutual funds securities are valued at the quoted market price of shares held by the Agency at year end.

All of the investments are classified as level 1, as discussed in Note 2.

8. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties comprise the following:

Due from Related Parties

Due from related parties of $923,636 on the accompanying consolidated statement of financial position represents amounts owed from two not-for-profit entities as follows:

An amount of $153,403 is due from the Agency's Housing and Urban Development ("HUD") affiliate. Certain staff members of the Agency are also members of the Board of this not-for-profit HUD organization. This amount includes an unsecured note receivable of $140,203 due from the affiliate dating back a number of years. The Agency is not permitted to charge interest to the affiliate pursuant to HUD rules. The Agency expects to be repaid for this amount when the affiliate has sufficient cash flow available.

An amount of $779,405 is due from the Parent. This amount includes three outstanding notes with the Parent, plus accrued interest thereon, comprised as follows:

- An unsecured note receivable, executed on April 30, 2010 in the amount of $689,901, for funds that was previously loaned to the Parent by the Agency. The Parent is obligated to pay the outstanding indebtedness in twenty-five equal annual installments of $27,596 on or before April 30th of each year. The outstanding balance on this note, which is non-interest bearing, amounted to $551,921 at June 30, 2014.

- An interest only unsecured note receivable in the amount of $55,500 due from the Parent. This note accrues interest at a rate of 6% per annum. The note will be repaid when the Parent has sufficient cash flow to make such payments.

8. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

- On June 16, 2011, a $300,000 unsecured note was executed with the Parent, accruing interest at a rate of 6% per annum. The outstanding balance on this note amounts to $125,000 at June 30, 2014. The note will be repaid when the Parent has sufficient cash flow to make such payments.

- Total unpaid accrued interest receivable due from the Parent amounted to $46,984 as of June 30, 2014 relating to the above. Related party interest income amounted to $21,630 for the year ended June 30, 2014.

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An amount of $9,172 is due to the Parent for funds that was received by the Agency as repayment of related party receivable that was previously forgiven by the Parent. The amount will be repaid to the Parent in the subsequent period.

Board members of the Parent are also Board members of the Agency.

Other Related Party Transactions

The Agency purchases supplies and services from ACRMD Community Mental Retardation Services Company, Inc. ("Community"), which is related because certain Agency employees are board members of Community. The Agency also receives payment from Community for the outsourced labor provided to assist with the processing and packaging of the inventory items which Community sells to the Agency as well as to other non-related entities. During the year ended June 30, 2014, purchases of supplies and services from Community totaled $638,711 and fees from Community for the provision of labor provided by the Agency totaled $119,007. At June 30, 2014, $59,122 was due to Community, which is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position. Additionally, at June 30, 2014, approximately $11,000 was owed to the Agency for outstanding fees, which is included in accounts receivable in the accompanying consolidated statement of financial position. In addition, the Agency also received approximately $32,000 from Community for reimbursement of its portion of fringe benefits and insurance costs paid on behalf of three of the Agency's employees who provide services to the not-for-profit related party. No reimbursable costs were outstanding as of June 30, 2014.

The Agency purchases document storage, messenger, landscaping, and maintenance services from ACRMD Enterprises LLC ("Enterprise"), a wholly-owned subsidiary of Community. During the year ended June 30, 2014, purchases of these services from Enterprise totaled $126,534. In addition, during the year ended June 30, 2014, the Agency also received $11,223 from Enterprise for reimbursement of insurance costs. At June 30, 2014, $12,094 was due to Enterprise, which is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

Management periodically reviews the related party accounts and notes receivable amounts to determine if an allowance is necessary. The related party receivables have been adjusted for all known uncollectible accounts. At June 30, 2014, no allowance was necessary because the related party receivables were determined to be fully collectible.

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

June 30, 2014	Cost	Estimated Useful Lives
Land	$ 4,709,267	
Construction in progress	444,840	
Buildings and improvements	27,128,852	5-20 years
Furniture and equipment	3,430,909	5 years
Vehicles	318,666	4 years
Leasehold improvements	8,047,112	Life of lease
	44,079,646	
Less: accumulated depreciation and amortization	(26,553,200)	
	$ 17,526,446	

The above amounts include land and buildings which were donated to the Agency by the OPWDD. The Agency is subject to adherence of certain terms, conditions, and restrictions as to the use and ultimate disposition of these properties as further delineated in the disposition and subordination agreements entered into with the funding source.

As of June 30, 2014, the Agency had approximately $866,000 of open commitments to contractors for construction on work being performed.

Depreciation and amortization expense was $1,774,915 for the year ended June 30, 2014.

10. MORTGAGES PAYABLE - DASNY

Mortgages payable – DASNY represents self-liquidating term-notes owed to DASNY, which has OPWDD as its agent.

The mortgage notes are collateralized by (i) the real property located at each of the sites (ii) all accounts receivable generated from billings related to the respective locations, and (iii) all personal property owned by the Agency located at each of the sites. The Agency is entitled to credits in an amount equal to the past accrued interest earned on the debt service reserve fund due from New York State for some of the above-mentioned liabilities. When such credits are determined and applied to the corresponding mortgages, then those mortgage liabilities will be reduced accordingly.

10. MORTGAGES PAYABLE – DASNY (CONTINUED)

Additional information for the mortgages payable - DASNY is reflected below.

Property	Maturity Date	Interest Rate	Outstanding at June 30, 2014
South Avenue	8/15/2015	7.68%	$ 39,091
213-233 48th Street (Sunset I)	2/15/2018	7.34%	391,610
87-21 121st Street (Queens)	2/15/2018	6.41%	1,017,750
Jumel	8/15/2018	6.41%	401,632
Total Mortgages Payable - DASNY			$ 1,850,083

The mortgage balances for the 213-233 48th Street and 87-21 121st Street locations are for the Day Habilitation Program. Since the year ended June 30, 2004, OPWDD allocates a portion of the bond (mortgage) payable to a separate Day Habilitation Medicaid Management Information System ("MMIS") Provider number for debt recovery purposes. However, the total indebtedness does not change.

Under the terms of the mortgages payable – DASNY, the Agency is required to fulfill certain financial covenants.

11. LINES OF CREDIT

Under the terms of a line of credit agreement with Bank of America entered into on March 31, 2014, the Agency may borrow up to $5,000,000 at the bank's prime interest rate plus 0.5% (3.25% at June 30, 2014) through March 31, 2015, when the agreement expires. The Agency's property and leasehold improvements not otherwise encumbered have been pledged as collateral against any advances on the line of credit. The balance outstanding on this line of credit as of June 30, 2014 was $547,382. The Agency is required to fulfill certain financial covenants.

The Agency has a line of credit agreement with J.P. Morgan Chase for a maximum amount of $5,000,000 which expires on March 13, 2015. The proceeds of the line of credit are to be used for operating expenses. Interest is charged at the bank's floating rate of prime plus 0.5% (3.25% at June 30, 2014) and is secured by a lien on the Agency's government receivables not otherwise encumbered. The government receivables totaled $17,449,252 at June 30, 2014 and are reflected in the accompanying financial statements as accrued income receivable. There was no outstanding balance on the line of credit as of June 30, 2014.

12. BONDS PAYABLE - DASNY

Bonds payable – DASNY includes the following at June 30, 2014:

Series	Due Date	Interest Rates	Principal Due
2010 A-1 and A-2	July 2028	2.10% to 5.00%	$ 4,710,000
2011 A-1 and A-2	July 2026	1.40% to 4.00%	1,690,000
2013 A-1 and A-2	July 2038	2.00% to 4.00%	3,645,000
Total Bonds Payable - DASNY			$ 10,045,000

12. BONDS PAYABLE – DASNY (CONTINUED)

2010 A-1 and A-2

In March 2010, a bond payable – DASNY was issued in the amount of $6,125,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2010A, subseries 2010A-1, and 2010A-2 (the "2010 Bonds"). The Agency used the proceeds from the 2010 Bonds to pay down $5,485,795 of indebtedness on seven properties.

The interest is payable to the bondholders on a semi-annual basis commencing on August 1, 2010. The principal is payable to the bondholder on an annual basis commencing on August 1, 2011. The cost of the bond issuance amounted to $318,265 of which $103,339 was amortized as of June 30, 2014. The cost of bond discounts amounted to $78,516, of which $25,660 was amortized as of June 30, 2014.

The Agency is required to make deposits for interest and principal under the 2010 Bond loan agreement monthly on the 10th day of each month into the debt service escrow fund (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2014	$ 495,000
2015	410,000
2016	415,000
2017	415,000
2018	415,000
Thereafter	2,560,000
	$ 4,710,000

The 2010 Bonds are secured ratably by each applicable mortgage on the properties and the DASNY's security interest in the pledged program service fees revenues subject to prior pledges.

Under the terms of the bonds payable – DASNY, the Agency is required to fulfill certain financial covenants.

2011 A-1 and A-2

On August 17, 2011, a bond payable – DASNY was issued in the amount of $1,925,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2011A, subseries 2011A-1, and subseries 2011 A-2 (the "2011 Bonds"). The Agency used the proceeds from the 2011 Bonds to pay down $1,182,262 of indebtedness on two properties.

The interest rate is not to exceed 4.125% on the Series 2011 Bonds. The interest is payable to the bondholders on an annual basis commencing on July 1, 2012. The cost of the bond issuance amounted to $166,854 of which $30,272 was amortized as of June 30, 2014. The cost of the bond discounts amounted to $12,469 of which $2,382 was amortized during the year ending June 30, 2014.

The Agency is required to make deposits for interest and principal under the loan agreement monthly on the 10th day of each month into the debt service escrow fund (Note 5).

12. BONDS PAYABLE – DASNY (CONTINUED)

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,		Principal Due
2014	$	125,000
2015		125,000
2016		125,000
2017		130,000
2018		130,000
Thereafter		1,055,000
	$	1,690,000

The 2011 Bonds are secured by each mortgage on the properties and a lien on the furnishings and equipment located at each mortgaged property.

Under the terms of the bond payable – DASNY, the Agency is required to fulfill certain financial covenants.

2013 A-1 and A-2

On March 13, 2013, a bond payable – DASNY was issued in the amount of $3,665,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2013A, subseries 2013A-1, and subseries 2013 A-2 (the “2013 Bonds”).

The interest is payable to the bondholders on an annual basis commencing on July 1, 2013. The cost of the bond issuance amounted to $301,396 of which $17,427 was amortized as of June 30, 2014. The cost of the bond discounts amounted to $33,679 of which $1,552 was amortized during the year ending June 30, 2014.

The Agency is required to make deposits for interest and principal under the loan agreement monthly on the 10th day of each month into the debt service escrow fund (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,		Principal Due
2014	$	160,000
2015		160,000
2016		165,000
2017		165,000
2018		165,000
Thereafter		2,830,000
	$	3,645,000

The 2013 Bonds are secured by each mortgage on the properties and a lien on the furnishings and equipment located at each mortgaged property.

Under the terms of the bond payable – DASNY, the Agency is required to fulfill certain financial covenants.

13. BONDS PAYABLE - IDA

Bonds payable – IDA includes the following at June 30, 2014 :

Series	Due Date	Interest Rates	Principal Due
2002 C-1	July 1, 2017	6.50%	$ 1,380,000
2004 A-1 and B-1	July 1, 2023	4.15% to 5.05%	2,310,000
2004 C-1	July 1, 2014	5.25%	130,000
2008 A-1 and A-2	July 1, 2033	6.50%	2,320,000
Total Bonds Payable - IDA			$ 6,140,000

Bonds Payable – IDA - 2002

The Bonds payable – IDA – 2002 represents amounts owed relating to the New York City Industrial Development Agency ("IDA") Civic Facility Revenue Bonds (Special Needs Facilities Pooled Program), Series 2002 C-1.

The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2003. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2003. The cost of the bond issuance amounted to $395,027 of which $283,657 was amortized as of June 30, 2014.

Deposits for interest and principal payments for the bond holders under the loan agreement are to be made monthly and deposited into the applicable debt service escrow accounts by the Agency until it comes due to pay the bondholders (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2014	$ 280,000
2015	280,000
2016	280,000
2017	540,000
	$ 1,380,000

Bonds Payable – IDA - 2004

Bonds Payable – IDA – 2004 represents amounts owed relating to IDA Civic Facility Revenue Bonds (Special Needs Facilities Pooled Program) Series 2004 A-1 and B-1, and Series 2004 C-1.

Series 2004 A-1 and B-1 Bonds - The Agency used the Series A-1 and B-1 bond proceeds to pay down $4,112,273 of indebtedness on four properties in a prior year. The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2004. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2004.

The cost of the bond issuance amounted to $696,558 of which $455,100 was amortized as of June 30, 2014.

13. BONDS PAYABLE – IDA (CONTINUED)

Deposits for interest and principal payments for the bondholders under the loan agreement are to be made monthly and deposited into the applicable debt service escrow accounts by the Agency until it comes due to pay the bondholders (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2014	$ 220,000
2015	220,000
2016	220,000
2017	220,000
2018	220,000
Thereafter	1,210,000
	$ 2,310,000

Series 2004 C-1 Bonds - The Agency used the Series C-1 bond proceeds to pay down $805,621 of indebtedness on one property and to pay off a balance due on one line of credit in a prior year. The interest is payable to the bondholders on a semi-annual basis commencing on January 1, 2005. The principal is payable to the bondholders on an annual basis commencing on July 1, 2005. The cost of the bond issuance amounted to $50,095 and the cost of bond discounts amounted to $41,281, and was fully amortized as of June 30, 2014.

Deposits for interest and principal payments for the bondholders under the loan agreement are to be made monthly and deposited into the applicable debt service escrow accounts by the Agency until it comes due to pay the bondholders (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2014	$ 130,000
	$ 130,000

Bonds Payable - IDA-2008

Bonds payable – IDA – 2008 represents amounts owed to IDA Civic Facility Revenue Bonds (Special Needs Facilities Pooled Program), Series 2008 A. These bonds are segregated into Series 2008 A-1 and Series 2008 A-2 (taxable).

The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2008. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2008. The cost of the bond issuance amounted to $265,634, of which $151,399 was amortized as of June 30, 2014.

The bond agreement has a first lien on the properties being mortgaged except for the facility located at 213 48th Street, Brooklyn, which is a second lien.

13. BONDS PAYABLE – IDA (CONTINUED)

Deposits for interest and principal payments for the bondholders under the loan agreement are to be made monthly and deposited into the applicable debt service escrow accounts by the Agency until it comes due to pay the bondholders (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2014	$ 170,000
2015	170,000
2016	175,000
2017	175,000
2018	180,000
Thereafter	1,450,000
	$ 2,320,000

Bonds Payable – IDA – General Terms

The Agency anticipates that, periodically, OPWDD will adjust the certain program service fees to provide the Agency with the sufficient amounts to repay the debt principal, related interest, and fees. The Series 2002 C-1, 2004 A-1, B-1, and C-1, as well as Series 2008 A-1 and A-2 bonds will be secured ratably by the IDA's security interest in certain pledged revenues, which amounted to $609,545 for the year ended June 30, 2014, as well as the amounts held in cash and cash equivalents restricted to debt service escrow (Note 5).

The underlying properties secure the respective Bonds with first liens except where otherwise noted.

14. MATURITIES OF DEBT TO THIRD PARTIES

The short-term and long-term third-party debt is comprised of the following:

June 30, 2014	
Mortgages payable – DASNY	$ 1,850,083
Bonds payable – DASNY	10,045,000
Bonds payable – IDA	6,140,000
Line of credit	547,382
	$ 18,582,465

14. MATURITIES OF DEBT TO THIRD PARTIES (CONTINUED)

Approximate maturities of short-term and long-term third-party debt are as follows:

June 30,	
2015	$ 2,607,432
2016	1,838,116
2017	1,884,850
2018	1,559,935
2019	1,130,132
Thereafter	9,562,000
	$ 18,582,465

The above maturities are not reduced by the funds held in the various debt service escrow accounts (Note 5) for interest earned currently and the last year of a particular bond's obligation are utilized to reduce the Agency's payments thereon.

15. SELF FUNDED INSURANCE

All Agency employees have an option to participate in the Agency's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions and is held in a separate reserve bank account. The Agency has contracted with Aetna, Inc., a third-party administrator, to provide administrative services for this health care benefits program. The health care benefits program has stop loss coverage of $150,000 per person and a total of one hundred fifty percent of claims estimated at the beginning of the policy year. As of June 30, 2014, cash designated for this program totaled $4,830,471 and the estimated liability for outstanding claims at June 30, 2014 totaled $1,070,398.

All Agency employees are covered by a self-funded worker's compensation benefits program administered by The Hartford Financial Services Group, Inc. The workers' compensation benefits program has a stop loss policy of $250,000 per incident, up to $1,300,000 for the current policy year. The workers' compensation claims are paid out of employer contributions and is held in a separate reserve bank account. As of June 30, 2014, cash designated for this program totaled $902,136 and the estimated liability for outstanding claims at June 30, 2014 totaled $1,240,599.

The Agency is partially self-insured for its workers compensation commitments. Accordingly, the Agency has provided $1,940,000 in Letters of Credit for performance guarantees, which are secured by certificates of deposits totaling $2,083,000 on the accompanying consolidated statement of financial position.

16. DEFINED BENEFIT PENSION PLAN

The Agency has a defined benefit pension plan (the “Plan”) covering all of its eligible employees. The benefits are based on years of service and the employee's highest five years of compensation during the last ten years of employment. The Agency's funding policy is to contribute annually the required amount that should be deducted in accordance with federal income tax guidelines. The Agency's contributions for calendar year 2013 met the minimum funding requirements of ERISA.

The Agency, as the sponsor of the Plan, froze the Plan effective December 31, 2010. Although the Plan remains frozen, the Agency has the ability to unfreeze the Plan in the future, subject to certain conditions.

The Agency is required to contribute approximately $1,990,000 to its defined benefit plan for the year ended June 30, 2014.

Under U.S. GAAP, a liability is disclosed at fiscal year-end. The pension liability is an aggregation of the excess of total benefit obligation over fair value of plan assets at the end of the year. There is a cumulative amount totaling $5,565,386 of pension liability as of June 30, 2014.

The changes in the defined benefit pension obligations, plan assets and funded status for the year ended June 30, 2014 were as follows:

	Pension Benefits
Reconciliation of benefit obligation:	
Benefit obligation, beginning of year	$ 33,085,407
Service cost	-
Interest cost	1,639,142
Actuarial loss	3,939,305
Benefits paid	(836,155)
Benefit obligation, end of year	$ 37,827,699
Reconciliation of fair value of plan assets:	
Fair value of plan assets, beginning of year	$ 27,033,318
Actual return on plan assets	4,074,974
Employer contributions	1,990,176
Benefits paid	(836,155)
Fair value of plan assets, end of year	$ 32,262,313
Funded status, end of year	$ (5,565,386)

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions

Without the exception of the discount rate, the Agency's independent enrolled actuary certified the following significant weighted-average assumptions in order to determine benefit obligations net periodic pension cost as of June 30, 2014:

Discount rate	4.33%
Expected long-term rate of return on plan assets	7.00%
Rate of compensation increase	0.00%

Net periodic pension cost and other amounts recognized in the statement of activities for the year ended June 30, 2014 included the following components:

Sevice cost	$ -
Interest cost	1,639,142
Expected return on plan assets	(1,892,849)
Amortization of net loss	486,903
Net periodic pension cost	$ 233,196

Investment Strategies

With respect to the Plan assets, investments are to be made consistent with the safeguards and diversity to which a prudent investor would adhere to. Following is a description of the investment guidelines used for the Plan's investment funds:

Equities - General assurances by the Plan's Investment Advisor includes criteria that no more than 2% of the equity position of the entire Plan assets portfolio at cost, and 3% at market value, shall be invested in any one company, and no more than 50% of any individual Money Manager's portfolio at cost, and 60% at market value shall be invested in any one company. Investment possibilities includes 1) common stock listed on any U.S. exchange or the over-the-counter market with the requirement that such stock have, in the reasonable opinion of each of the Money Managers, adequate market liquidity relative to the size of the investment, 2) foreign ordinary securities, 3) international investments managed by an International/Global Money Manager which adhere to specific criteria, including a limitation that no more than 20% of the value of the managed international portfolio's total assets, measured at time of purchase may be invested in securities of companies in emerging securities markets throughout the world, and 4) exchange traded funds (not subject to the diversification guidelines above. Furthermore, there are several categories of securities and types of transactions that are not permissible for investments and should not be part of the portfolio, including short sales, put and call options, margin purchases, private placements, commodities, securities of the Investment Advisor or any of the Money Managers, their direct parent or their subsidiaries, penny stocks, and derivatives. In addition, the Agency may identify additional securities to be restricted.

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Fixed Income - Diversification of the fund includes assurances that no more than 5% of the Plan's portfolio should be invested in bonds of any one issuer, and there shall be no limit on direct obligations of the U.S. government. The Plan should not invest in any fixed-income security carrying a rating less than BBB/Baa by either Standard & Poor or Moody's. If issues are downgraded so as to violate these guidelines, the Plan's Trustee should judiciously liquidate them. Issues within a quality high yield mutual fund are exempt from this provision. With regards to maturity, the market value weighted average maturity of the bond portfolio should not exceed 15 years, and no holding may have an absolute maturity of more than 30 years at the time of purchase. Generally, fixed income investments includes debt securities guaranteed by the U.S. government, corporate bonds, high quality and high yield mutual funds, international bond mutual funds, indexed notes, Yankee bonds, and preferred stock issues.

Corporate Bonds - Valued at the closing price reported in the active market in which the bond is traded.

Equities - Valued at the closing price reported on the major stock exchanges.

Government Securities - Valued at the closing price reported in active market in which the individual security is traded.

Mutual Funds - Valued using market value as listed in active exchange markets.

Municipal Bonds - Valued at the closing price reported in active market in which the individual security is traded.

International Bonds - Valued at the closing price reported in active market in which the individual security is traded.

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

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The pension plan asset allocations, along with respective dollar values and fair value measurements, at June 30, 2014, by asset category are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Funds	$ 2,466,514	$ 2,466,514	$ -	$ -
Equities:				
Basic Materials	340,466	340,466	-	-
Consumer Goods	458,037	458,037	-	-
Financials	1,707,397	1,707,397	-	-
Healthcare	520,771	520,771	-	-
Industrial Goods	343,901	343,901	-	-
Oil & Gas	627,487	627,487	-	-
Services	1,183,827	1,183,827	-	-
Technology	1,049,696	1,049,696	-	-
Utilities	25,494	25,494	-	-
Government Securities	1,486,991	1,486,991	-	-
Municipal Bonds	272,441	272,441	-	-
International Bonds	915,072	915,072	-	-
Corporate Bonds	8,068,223	8,068,223	-	-
Mutual Funds:				
Mid Cap Growth	905,878	905,878	-	-
Mid Cap Value	982,422	982,422	-	-
Small Cap Value	361,410	361,410	-	-
Large Cap Foreign	2,355,347	2,355,347	-	-
Large Cap Growth	4,791,100	4,791,100	-	-
Emerging Markets	2,432,532	2,432,532	-	-
REITs	967,307	967,307	-	-
	$ 32,262,313	$ 32,262,313	$ -	$ -

Transfer Between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The plan administrators evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits.

16. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Expected Future Benefit Payments

Benefit payments for defined benefit pension plans, which reflect expected future service, as appropriate, are expected to be paid as follows:

June 30,	Pension benefits expected to be paid
2015	$ 1,290,296
2016	1,048,030
2017	1,158,332
2018	1,249,892
2019	1,343,635
2020-2024	8,434,596
	$ 14,524,781

17. POSTRETIREMENT HEALTH CARE BENEFIT PLAN

The Agency sponsors a defined benefit postretirement health care benefit plan.

Plan Provisions

Retired Prior to January 1, 2000

For certain long-service employees, the plan will pay the monthly premium for the participant (and eligible spouse) to continue coverage under the pre-2000 postretirement plan.

Retired January 1, 2001 and Later

For employees who retire on or after age 65 with at least 20 years of service, the Agency will enroll the retiree and eligible spouse in an AARP Medicare Supplement plan and contribute the following towards such coverage (for each retiree and eligible spouse):

-- 20 years of service	Plan E	--$130.25 per month
-- 25 years of service	Plan G	--$152.25 per month
-- 30 years of service	Plan I	--$259.00 per month

For employees who retire between ages 62 and 65, with the requisite years of service, the Agency will contribute, as per the above schedule, towards coverage under the current active employee's plan, until Medicare eligibility. At that time, the retiree will be treated in the same fashion as a post-65 retiree.

If an eligible spouse is not Medicare eligible, the Agency will contribute towards coverage under the current active employees' plan in an amount based on the retiree's service as described above.

17. POSTRETIREMENT HEALTH CARE BENEFIT PLAN (CONTINUED)

Determination of the Net Periodic Benefit Cost for the Fiscal Year

Net periodic benefit cost and other amounts recognized in unrestricted net assets for the year ended June 30, 2014 included the following components:

Service cost		$	279,471
Interest cost			278,117
Amortization:			
(a) Transition obligation	-		
(b) Prior service cost	63,914		
(c) (Gain) loss	-		
Net amortization			63,914
Net periodic benefit cost		$	621,502

Reconciliation of Funded Status for the Fiscal Year Ended June 30, 2014

Accumulated postretirement benefit liability at June 30, 2014	$	6,787,122
Net liability recognized at June 30, 2014	$	6,787,122

Net Amount Recognized in Consolidated Statement of Financial Position

Beginning of year	$	5,595,566
Service cost		279,471
Interest cost		278,117
Expected return on plan assets		-
Employer contributions		(60,642)
Net (gain) loss		694,610
Prior service credit (cost)		-
End of year	$	6,787,122

Assumptions

Mortality:	RP 2000 Separate Annuitants and Non-Annuitants Mortality Table projected to 2014 for males and females
Claim cost:	Monthly premium
Trend:	4.70% - 7.00% – based on the year of retirement
Funding method:	Projected Unit Credit Actuarial Cost Method

17. POSTRETIREMENT HEALTH CARE BENEFIT PLAN (CONTINUED)

a) The discount rate was changed from 5.00% to 4.33% which increased the accumulated postretirement benefit liability by approximately $783,000.

b) Based upon the plan provisions, the Affordable Care Act will have an immaterial effect on the accumulated postretirement benefit obligation and the net periodic benefit cost of the Agency's postretirement health care benefit plan.

	Postretirement Benefits	
	Accumulated Postretirement Benefit Liability	Service Cost Plus Interest Cost
At trend	$ 6,787,122	$ 557,588
At trend + 1%	6,845,536	560,474
Dollar impact	58,411	2,886
Percentage impact	0.86%	0.52%
At trend – 1%	6,737,118	555,117
Dollar impact	(50,007)	(2,471)
Percentage impact	-0.74%	-0.44%

Expected Future Benefit Payments

Benefit payments for postretirement health care benefit plans, which reflect expected future service, as appropriate, are expected to be paid as follows:

June 30,	Postretirement Benefits
2014	$ 76,538
2015	94,324
2016	110,206
2017	128,285
2018	152,995
2019-2023	1,162,705
	$ 1,725,053

18. TEMPORARILY RESTRICTED NET ASSETS

The changes in contributions, which comprise the Agency's temporarily restricted net assets for the year ended June 30, 2014, which are available for use in future years, were as follows:

	Balance at 6/30/13	Additions	Expenditures	Balance at 6/30/14
Program	$ 43,766	3,796	(2,297)	$ 45,265

The funds released from restrictions were used towards other expenses for some of the Agency's programs.

19. COMMITMENTS AND CONTINGENCIES

General
Pursuant to the Agency's contractual relationships with certain funding sources, outside agencies have the right to examine the Agency's books and records which pertain to transactions relating to these contracts. The accompanying consolidated financial statements do not include a provision for possible disallowances and reimbursements. Management believes that any actual disallowances, if any, would be immaterial. In addition, certain agreements provide that certain property and equipment owned by or on loan to the Agency (Note 9) be utilized by the Agency for its continued ownership, since the costs of such property and equipment were funded under these agreements (“Reversing Assets”).

There are certain amounts of real and personal property used by the Agency in its program operations which is owned by New York State and/or other governmental sources. The Agency uses some of these real and personal properties at no cost. The value of the benefit received for use of these real and personal properties is not readily measurable, is not recorded in the accompanying consolidated financial statements, and is consistent with similar industry practices.

The Agency has a number of pending lawsuits and/or claims against them for a variety of reasons. The alleged claims are being handled by legal counsel and/or by its insurance providers. In the opinion of the Agency's legal counsel and management, there is no basis to establish a liability for any loss contingency due to lack of merit or insurance coverage exceeding expected settlement amounts.

On March 13, 2013, the Agency entered into a collective bargaining agreement with the Civil Service Employees Association, Inc. (“CSEA”). The collective bargaining agreement is set to expire on June 30, 2015. Approximately 73% of the Agency’s labor is represented by the CSEA.

Operating Leases

The Agency is obligated, pursuant to real property lease agreements, for minimum monthly rentals for its administrative and program operations as follows:

June 30,		
2015	$	5,748,198
2016		4,063,940
2017		3,604,962
2018		2,917,004
2019		2,867,194
Thereafter		11,654,266
	$	30,855,564

For the year ended June 30, 2014, rent expense was $6,942,039, which was generally recovered through fees for service from the funding sources.

A renewal option allows the Agency, at its sole option, the right to extend some of the leases for an additional five-year period with a predetermined rent base amount with annual rent percentage increases. Various leases have rent escalations in which various predetermined annual percentage increases exist throughout the lease periods. A clause exists whereby, in the event that real estate taxes increase during the term of some of the leases, the Agency shall pay any increases in real estate taxes over the base year.

20. 403(b) TAX – SHELTERED ANNUITY PLAN

The Agency offers a 403(b) tax-sheltered annuity plan for all employees who are eligible and elect to participate. The plan is governed by IRS regulations setting the limits on the amount that employees may contribute and the conditions to withdraw monies from it. The employees each own their individual annuity plan and are responsible for deciding the amount of contributions they wish to make each year (up to the maximum stipulated by the IRS) and how the funds may be invested. There are no employer contributions.

21. CONCENTRATION OF CREDIT RISK

The Agency has maintained bank balances that often exceed the limit of the Federal Depository Insurance Corporation insurance coverage. The Agency verifies, on a quarterly basis, the equity strength and profitability of the banks it uses in order to minimize the risk.

Approximately 11% of the Agency's accounts payable and accrued expenses as of June 30, 2014 were derived from one vendor.

The Agency earns its revenue and records related receivables primarily from service fees provided to individuals with developmental disabilities within the New York City area. A significant portion all of the Agency's revenue and receivables are received from Medicaid.

22. RISKS AND UNCERTAINTIES

The Agency's pension 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 value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying consolidated statement of financial position.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the consolidated financial statements.

The Agency is subject to indemnification clauses should they cause any of the tax exempt bonds to lose their tax exempt status.

The Agency's self funded insurance liability is based upon estimated claims at current year end. The actual claims may exceed the recorded amount.

23. SUBSEQUENT EVENTS

The OPWDD, in consultation with the State Department of Health ("DOH") has begun the process of seeking significant programmatic and fiscal changes to the OPWDD service system. The new direction for OPWDD, "The People First" Waiver is being developed with a 5 year statewide comprehensive plan through 2015.

Subsequent to year end and in anticipation of the changes in the OPWDD funding stream, the Agency entered into a verbal agreement with other six New York State Agencies to form a Developmental Disabilities Individual Support and Care Coordination Organization ("DISCO"). A letter of intent to become a DISCO has been submitted to OPWDD. At this time it is undetermined if OPWDD will approve the letter of intent. Final request for applications ("RFA") to become a DISCO have not yet been released by OPWDD and the changes as proposed by the "People First Waiver" Plan are still under review for approval.

LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

LIFESPIRE, INC. AND SUBSIDIARY

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MBAF

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lifespire, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lifespire, Inc. and Subsidiary (the "Agency"), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 of 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 consolidated financial position of Lifespire, Inc. and Subsidiary as of June 30, 2013, 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.

MBAF CPAs, LLC

Valhalla, NY
December 12, 2013

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS		
Cash and cash equivalents	$	19,880,055
Cash and cash equivalents designated for recoupments payable and deferred income		16,407,870
Cash and cash equivalents designated for self funded insurance		6,267,702
Cash and cash equivalents designated for health reimbursement accounts		2,366,222
Cash and cash equivalents restricted to debt service escrow		3,983,600
Cash and cash equivalents restricted - other		911,715
Investments		3,781,476
Debt service reserve fund due from New York State		318,841
Accounts receivable, net		311,577
Note receivable		246,650
Accrued income receivable		18,054,416
Due from related parties		961,425
Security deposits and prepaid expenses		728,884
Property and equipment, net		17,868,535
Deferred charges, net		4,464,185
TOTAL ASSETS	**$**	**96,553,153**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$	7,466,449
Accrued payroll		6,904,864
Accrued compensated absences		3,864,213
Recoupments payable and deferred income		16,407,870
Mortgages payable - DASNY		2,296,958
Bonds payable - DASNY		10,660,000
Bonds payable - IDA		7,015,000
Deferred rent		3,059,756
Self funded insurance liability		2,049,823
Pension liability		6,052,089
Postretirement health insurance liability		5,595,566
TOTAL LIABILITIES		71,372,588
NET ASSETS		
Unrestricted:		
Undesignated		9,876,020
Residential reserve for replacement		794,907
Property and equipment		4,135,765
Board designated - program expansion		1,047,973
Board designated - anticipated pension contributions		3,014,432
Board designated - self funded insurance		6,267,702
		25,136,799
Temporarily restricted		43,766
TOTAL NET ASSETS		25,180,565
TOTAL LIABILITIES AND NET ASSETS	**$**	**96,553,153**

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

REVENUE - PROGRAM OPERATIONS	
Program service fees	$ 98,460,715
Participants' share of room and board	3,282,156
Subcontract	488,931
DASNY bond fees	651,896
	102,883,698
Net assets released from restrictions	3,117
TOTAL REVENUE - PROGRAM OPERATIONS	102,886,815
EXPENSES	
Program services	92,851,996
Management and administration	6,255,847
TOTAL EXPENSES	99,107,843
CHANGE IN UNRESTRICTED NET ASSETS BEFORE OTHER REVENUE AND NON-OPERATING PENSION AND HEALTH CARE BENEFIT PLAN-RELATED CHANGES	3,778,972
OTHER REVENUE	
Investment income	101,884
Contributions and fundraising	3,650
Retroactive rate adjustments	1,423,511
Miscellaneous	169,635
TOTAL OTHER REVENUE	1,698,680
CHANGE IN UNRESTRICTED NET ASSETS BEFORE NON-OPERATING PENSION AND HEALTH CARE BENEFIT PLAN-RELATED CHANGES	5,477,652
Pension related change other than net periodic pension benefits (costs)	5,146,177
Postretirement health care benefit change other than net periodic benefits (costs)	847,675
CHANGE IN UNRESTRICTED NET ASSETS	11,471,504
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Donors	8,267
Net assets released from restrictions	(3,117)
	5,150
CHANGE IN NET ASSETS	11,476,654
NET ASSETS - BEGINNING OF YEAR (AS ORIGINALLY REPORTED)	11,067,531
PRIOR PERIOD ADJUSTMENTS (NOTE 25)	2,636,380
NET ASSETS - BEGINNING OF YEAR (AS RESTATED)	13,703,911
NET ASSETS - END OF YEAR	$ 25,180,565

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

UNRESTRICTED NET ASSETS - BEGINNING OF YEAR (AS ORIGINALLY REPORTED)	$	11,028,915
Prior period adjustments (Note 25)		2,636,380
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR (AS RESTATED)		13,665,295
Change in unrestricted net assets		11,471,504
UNRESTRICTED NET ASSETS - END OF YEAR	$	25,136,799
TEMPORARILY RESTRICTED NET ASSETS - BEGINNING OF YEAR	$	38,616
Change in temporarily restricted net assets		5,150
TEMPORARILY RESTRICTED NET ASSETS - END OF YEAR	$	43,766

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services							
	Waiver Services	Vocational Services	Residential	Mental Health	Other Programs	Total Program Services	Management and Administration	Total Expenses
Salaries	$ 16,650,410	$ 35,505	$ 19,723,650	$ 753,318	$ 3,833,367	$ 40,996,250	$ 2,667,069	$ 43,663,319
Payroll taxes and benefits	5,328,057	10,710	5,868,971	216,148	1,192,953	12,616,839	681,847	13,298,686
Total personnel costs	21,978,467	46,215	25,592,621	969,466	5,026,320	53,613,089	3,348,916	56,962,005
Professional fees and contracted services	818,551	1,501	1,530,130	85,494	2,901,416	5,337,092	521,131	5,858,223
General and professional liability insurance	421,039	29,601	293,475	53,563	36,967	834,645	291,604	1,126,249
Supplies and expenses:								
Food, household supplies and services	156,072	2,032	2,723,224	2,962	14,997	2,899,287	15,788	2,915,075
Rent and real estate taxes	3,242,515	286,551	2,687,492	161,580	422,695	6,800,833	688,312	7,489,145
Transportation	9,458,364	134,185	1,170,247	67,338	101,595	10,931,729	151,357	11,083,086
Utilities and telephone	863,040	63,413	952,161	90,296	242,954	2,211,864	193,581	2,405,445
Maintenance and repair	293,657	10,390	663,732	19,162	45,138	1,032,079	53,074	1,085,153
General	1,079,335	371,746	2,455,553	106,611	592,465	4,605,710	918,390	5,524,100
Total expenses before interest, fees, and bond expense, and depreciation and amortization	38,311,040	945,634	38,068,635	1,556,472	9,384,547	88,266,328	6,182,153	94,448,481
Interest, fees, and bond expense	723,971	38,503	1,729,286	-	14,940	2,506,700	34,035	2,540,735
Depreciation and amortization	833,862	91,249	1,074,320	24,112	55,425	2,078,968	39,659	2,118,627
TOTAL EXPENSES	$ 39,868,873	$ 1,075,386	$ 40,872,241	$ 1,580,584	$ 9,454,912	$ 92,851,996	$ 6,255,847	$ 99,107,843

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 11,476,654
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,118,627
Amortization of bond issue costs	181,022
Unrealized loss on investments	14,216
Bad debt recovery	(532)
Loss on disposal of assets	21,762
Changes in operating assets and liabilities:	
Accounts receivable	141,007
Note receivable	110,850
Debt service reserve fund due from New York State	22,744
Accrued income receivable	(2,771,871)
Due from related parties	8,240
Security deposits and prepaid expenses	44,518
Deferred charges	(319,390)
Accounts payable and accrued expenses	(550,556)
Accrued payroll	(463,868)
Accrued compensated absences	110,215
Recoupments payable and deferred income	1,939,459
Self funded insurance liability	154,084
Pension liability	(5,948,674)
Postretirement health insurance liability	(243,038)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,045,469
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash and cash equivalents restricted to debt service escrow	89,440
Cash and cash equivalents restricted - other	(257,721)
Purchases of investments	(1,864,146)
Proceeds from sales of investments	1,236,585
Purchases of property and equipment	(707,517)
NET CASH USED IN INVESTING ACTIVITIES	(1,503,359)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayments of mortgages payable - DASNY	(478,650)
Proceeds from bonds payable - DASNY	3,665,000
Repayments of bonds payable - DASNY	(585,000)
Payments on lines of credit	(1,914,085)
Repayments of bonds payable - IDA	(1,005,000)
NET CASH USED IN FINANCING ACTIVITIES	(317,735)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,224,375
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR (AS RESTATED) (NOTE 25)	40,697,474
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 44,921,849
RECONCILIATION FOR UNRESTRICTED CASH & CASH EQUIVALENTS	
Cash and cash equivalents	19,880,055
Cash and cash equivalents designated for recoupments payable and deferred income	16,407,870
Cash and cash equivalents designated for self funded insurance	6,267,702
Cash and cash equivalents designated for health reimbursement accounts	2,366,222
CASH AND CASH EQUIVALENTS - END OF YEAR, UNRESTRICTED	$ 44,921,849
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	$ 908,942

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION

Lifespire, Inc. and Subsidiary (collectively, the "Agency") serves individuals with disabilities and their families through various programs which include, but are not limited to, residential, rehabilitation, and day programs. The Agency is funded through government programs, consumer contributions, and gifts. It is the Agency's aim to provide individuals with disabilities the assistance and support necessary to achieve a level of functional behaviors and cognitive skills to enable them to maintain themselves in their community in the most integrated and independent manner possible. Lifespire Services, Inc. ("Parent") is the sole member of the Agency.

2. SIGNIFICANT ACCOUNTING POLICIES

Tax Status

The Agency, according to the Internal Revenue Service ("IRS"), was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and under the corresponding provisions of the New York State and New York City income tax laws. Under these provisions, the Agency is exempt from federal and state income taxes and, therefore, has made no provision for income taxes in the accompanying consolidated financial statements.

The Agency follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the consolidated financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Agency is subject to regular audit by tax authorities. In assessing the realizability of tax benefits, management considers whether it is more likely than not that some portion or all of any tax position will not be realized. Management believes that its tax-exempt status would be sustained upon examination. Management believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

If applicable, the Agency would classify interest and penalties on underpayments of income tax as miscellaneous expenses.

The Agency files tax returns in the federal and New York State jurisdictions. With few exceptions, the Agency is no longer subject to federal or state income tax examinations by tax authorities for fiscal years before June 30, 2010.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the Agency's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These classes are defined as follows:

Permanently Restricted - Net assets resulting from (a) 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, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

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 statement of activities. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Agency reports the support as unrestricted.

Unrestricted - The part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Some of these net assets are undesignated but some are designated by the Board of Directors ("Board") as set forth below:

Residential Reserve for Replacement - There is an amount of $794,907 restricted as residential reserve for replacement. Such reserve was restricted by the New York State Office for People with Developmental Disabilities ("OPWDD") for the reimbursement of building renovations and improvements for Agency-owned residential properties. This reimbursement mechanism does not apply to residential properties that are leased.

The Agency has the ability to utilize the residential reserve funding for all of its certified residential sites within each class of residences. These funds are not interchangeable among program types.

Property and Equipment - There is a designated amount of $4,135,765 of unrestricted net assets which represents the excess of the net book value of property and equipment over the related debt.

Board Designated-Program Expansion - The Board has designated an amount of $1,047,973 of unrestricted net assets for future programmatic expansion. The monies, which are not segregated, are used to alleviate the ongoing financial pressures on the Agency due to the timing of collections of government funding, the limitations on available government funding, and the limited fund-raising activities undertaken by the Agency. The Agency has minimum monthly operating cash requirements of approximately $8,918,000 to finance its program operations.

Board Designated-Anticipated Pension Contributions - The board has designated an amount of $3,014,432 of unrestricted net assets for defined benefit pension plan contributions anticipated to make during the year ended June 30, 2014.

Board Designated-Self Funded Insurance - The board has designated an amount of $6,267,702 of unrestricted net assets for payments of current and future claims related to the Agency's self funded insurance plans.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The consolidated financial statements include the financial activity of Lifespire, Inc. ("Lifespire") and its wholly-owned subsidiary, Manhattan Management Solutions, LLC (the "Organization"). The Organization was established to provide consulting services to other not-for-profit organizations. Lifespire consolidates the Organization because it has both (i) an economic interest in, and (ii) control over the Organization through a majority voting interest in its governing board. The Organization had no activity for the year ended June 30, 2013. Any inter-entity transactions are eliminated in consolidation.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Agency has evaluated events through December 12, 2013, which is the date the consolidated financial statements were available to be issued.

Cash and Cash Equivalents

The Agency considers all highly liquid investments with an original maturity date of three months or less at the time of purchase to be cash equivalents. Restricted cash and cash equivalents as of June 30, 2013 are described in Notes 3 and 5.

Investments

Investments are comprised of certificates of deposits with varying maturity dates and mutual funds. These investments are stated at fair value. Income from investments is considered unrestricted net assets unless restricted by a donor.

Accounts Receivable, Net

All known uncollected accounts receivable have been adjusted to net realizable value as of June 30, 2013. The allowance for doubtful accounts, which amounts to $6,595 at June 30, 2013, is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts. Management generally uses 5% of total subcontract accounts receivable as the basis for the calculation of allowance for doubtful accounts based on historical experience and economical conditions.

Program Service Fees and Accrued Income Receivable

The Agency receives a major portion of its program service fees from Medicaid in conjunction with the OPWDD, the Social Security Administration ("SSA") and directly from the OPWDD. At June 30, 2013, substantially all of the accrued income receivable of $18,054,416 is due from these governmental agencies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Agency recognizes revenue as services are provided. The amount is determined by the funding agencies either by a fee for service or a cost based fee. These fees are subject to review and revision by the funding agencies periodically. During the year ended June 30, 2013, the Agency recognized $1,423,511 in retroactive rate adjustments.

The current third-party-payor programs, including Medicaid and Medicare, are based upon complex laws and regulations. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. No such fines, penalties and exclusions were imposed on the Agency during the fiscal year ended June 30, 2013.

Property and Equipment

Property and equipment are stated at cost, or at fair market value if donated, less accumulated depreciation and amortization. Maintenance and repairs are charged to expense as incurred; major improvements are capitalized in accordance with funding source guidelines. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful life of the asset. These amounts do not purport to represent replacement or realizable values. The Agency capitalizes individual items costing in excess of $5,000.

Impairment

The Agency reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the Agency recognizes an impairment loss. No impairment losses were recognized for the year ended June 30, 2013.

In-Kind Contributions

In-kind contributions consist of property and services donated by state agencies and individuals which are measured at fair value at the date of donation. There were no in-kind contributions received by the Agency during the year ended June 30, 2013.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled $70,894 for the year ended June 30, 2013, and is included in general expenses in the accompanying consolidated statement of functional expenses.

Deferred Rent

The Agency leases program and office space whereby the various landlords provide periods of scheduled increases in the minimum amounts charged. Rent expense related to the minimum rentals is recognized on a straight-line basis over the term of the respective leases. The accompanying consolidated statement of financial position reflects a liability of $3,059,756 at June 30, 2013 relating to deferred rent. The change in this liability is reflected as a charge to rent and real estate taxes in the accompanying consolidated statement of functional expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Charges

Deferred charges comprise the following:

Bond Costs - Bond issuance costs, which also reflect bond premiums and discounts, are amortized over the life of the respective bond issue. Bond costs amounted to $1,404,429 at June 30, 2013, which is net of accumulated amortization. Amortization expense of these costs for the year ended June 30, 2013 was $181,022. Such amortization is included in interest, fees and bond expense of $2,540,735 shown in the accompanying consolidated statement of functional expenses.

Deferred Rent Recovery - OPWDD includes in the reimbursement rate paid to service providers a component for rents paid in accordance with lease terms. The Agency recognizes such amounts, however, based upon the future stream of payments for rent that is required to be recognized under U.S. GAAP that is in excess of the rents incurred over their respective lease terms. The difference between the revenue recognized and the rents incurred over their lease terms (which is the reimbursement from OPWDD) is reflected as a deferred charge on the consolidated statement of financial position. This deferred charge represents a timing difference which will accumulate over the earlier periods of the rent expense recognition for a respective lease and will reverse during the latter periods of the rent payments. The deferred charge amounted to $3,059,756 at June 30, 2013. For the year ended June 30, 2013, the addition to deferred rent recovery amounted to $155,277 and is reflected as miscellaneous revenue in the accompanying consolidated statement of activities.

Self Funded Health and Workers' Compensation Insurance

The Agency is self funded for health and workers' compensation insurance on all employees. The Agency records a liability for claims that have been incurred but not paid for employees covered by the self funded plans. The Agency recorded a liability for claims incurred but not paid of $2,049,823 at June 30, 2013.

Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications based upon benefits received.

Fair Value Measurements

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.

The accounting standard establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs to be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Agency. Unobservable inputs reflect the Agency's assumption about inputs that market participants would use at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 1 - Valuation based on quoted prices in active markets for identical assets or liabilities that the Agency has the ability to access.

Level 2 - Valuation based on quoted prices for similar assets or liabilities in active markets; for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the standard. The three valuation techniques are as follows:

- Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (i.e. current replacement cost); and
- Income approach - Uses valuation techniques to convert future amounts to a single present discounted amount based on market expectations about those future amounts (including present value techniques, option-pricing models, and lattice models).

New Accounting Pronouncements

In April 2013, the FASB issued an accounting standard update which requires not-for-profit entities to apply similar recognition and measurement bases for services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the recipient not-for-profit entity is not charged by the affiliate. The update requires that those services be measured at the cost recognized by the affiliate for the personnel providing those services unless such measurement would significantly overstate or understate the value of the service received, in which case the recipient non-for-profit entity may elect to recognize such services at the fair value of the service. The update is effective prospectively for fiscal years beginning after June 15, 2014, and interim periods thereafter, with early adoption permitted. The Agency is currently evaluating the effect the update will have on its financial statements.

Recoupments payable and deferred income

The Agency entered into contracts with OPWDD for the operation of its facilities. Typically, there are over or under payments on these contracts, resulting from rates of reimbursements being in excess of amounts earned, which are generally reconciled with OPWDD. However, the reconciliation process has not been completed for some contracts in the prior years. Once these reconciliations are completed or an OPWDD program audit is initiated, a timeline and/or methodology will be established as to how and when these amounts will be recouped. It is the policy of the Agency to hold all overpayments as well as qualifying contractual expenses as a recoupment payable pursuant to these contracts until an audit has occurred, and a reconciliation or recoupment process is initiated by the appropriate Agency.

As of June 30, 2013, the Agency has a recoupment payable and deferred income balance of $16,407,870. These amounts are expected to be recouped in the future through designated reductions of remittance payments or by demanding payment of full amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The recoupment payable is related to transactions incurred as follows:

June 30,	
2013	$ 5,043,870
2012	2,246,190
2011	87,199
2010	350,704
2009 and prior	8,679,907
	$ 16,407,870

3. CASH AND CASH EQUIVALENTS RESTRICTED - OTHER

Cash and cash equivalents restricted – other at June 30, 2013 comprised of the following:

June 30, 2013	Restricted Cash Amount
Temporarily restricted contributions	$ 43,766
403(b) tax sheltered annuity plan	73,042
Residential Reserve for Replacement	794,907
	$ 911,715

4. CASH AND CASH EQUIVALENTS DESIGNATED FOR RECOUPMENTS PAYABLE AND DEFERRED INCOME

The Agency designated cash and cash equivalents of $16,407,870 to settle amounts included within recoupments payable and deferred income (Note 2).

5. CASH AND CASH EQUIVALENTS RESTRICTED TO DEBT SERVICE ESCROW

The cash and cash equivalents related to debt service escrow of $3,983,600 is comprised of the following:

Debt Service Escrow:	
IDA – Bond 2002	$ 888,130
IDA – Bond 2004	1,138,852
IDA – Bond 2008	699,922
DASNY – Bond 2010	817,353
DASNY – Bond 2011	247,822
DASNY – Bond 2013	191,521
	$ 3,983,600

The Debt Service Escrow – IDA – regarding the Industrial Development Agency ("IDA") Bonds 2002, 2004 and 2008 represents a portion of the loan proceeds, in addition to subsequent payments made

5. CASH AND CASH EQUIVALENTS RESTRICTED TO DEBT SERVICE ESCROW (CONTINUED)

by the Agency, that were deposited into accounts set up with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required to be made pursuant to the bond agreements (Note 14).

The Debt Service Escrow – DASNY - regarding the Dormitory Authority State of New York ("DASNY") Bonds 2010, 2011, and 2013 represent a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts set up with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required to be made pursuant to the bond agreement (Note 13).

The amounts from the above earn interest and such interest is applied against the Agency's current year's bond principal pay down obligations. All remaining funds are applied against the last year's principal pay down of the applicable bond issue.

6. DEBT SERVICE RESERVE FUND DUE FROM NEW YORK STATE

The debt service reserve fund due from New York State of $318,841 represents a portion of the loan proceeds retained by New York State under the terms and conditions set forth in the mortgage agreements for the properties listed in Note 11.

The monies are designated to be applied to scheduled debt service payments in the future by OPWDD.

7. INVESTMENTS

As of June 30, 2013, total investments are comprised of bank certificates of deposit and mutual funds stated at $3,781,476. Investment activity for the year consisted of the following:

Bank of America	$ 2,160,087	$ 2,160,087
Morgan Stanley	1,215,089	1,230,133
Chase	405,329	391,256
Total	$ 3,780,505	$ 3,781,476

Activity in investments is as follows for the year ended June 30, 2013:

Investments - beginning of year	$ 3,168,131
Investment activity:	
Purchases	1,815,365
Investment returns (reinvested)	48,781
Sales and redemptions (at cost)	(1,230,365)
Withdrawals for operations	(6,220)
	627,561
Net depreciation in fair value of investments: unrealized loss	(14,216)
Investments - end of year	$ 3,781,476

All of the investments are classified as level 1, as discussed in Note 2.

8. NOTE RECEIVABLE

The note receivable balance of $246,650 represents an amount owed from the Inter Agency Council of Mental Retardation and Developmental Disabilities, Inc. ("IAC"). Such note bears interest at a rate of 3.0% per annum, is unsecured, and requires the outstanding balance to be paid back in one or more installments on or before June 30, 2014, at the option of IAC.

9. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties comprise the following:

Due from Related Parties

Due from related parties of $961,425 on the accompanying consolidated statement of financial position represents amounts owed from two not-for-profit entities as follows:

An amount of $153,403 is due from the Agency's Housing and Urban Development ("HUD") related party ("affiliate"). Certain staff members of the Agency are also members of the Board of this not-for-profit HUD organization. This amount includes an unsecured note receivable of $140,203 due from the affiliate dating back a number of years. The Agency is not permitted to charge interest to the affiliate pursuant to HUD rules. The Agency expects to be repaid for this amount when the affiliate has sufficient cash flow available. There is also an amount of $13,200 representing management fee payable due from the affiliate, which was paid subsequent to the year ended June 30, 2013.

An amount of $808,022 is due from the Parent. This amount includes three outstanding notes with the Parent, plus accrued interest thereon, comprised as follows:

- An unsecured note receivable, executed on April 30, 2010 in the amount of $689,901, for funds that was previously loaned to the Parent by the Agency. The Parent is obligated to pay the outstanding indebtedness in twenty-five equal annual installments of $27,596 on or before April 30th of each year. The outstanding balance on this note, which is non-interest bearing, amounted to $579,517 at June 30, 2013.

- An interest only unsecured note receivable in the amount of $55,500 due from the Parent. This note accrues interest at a rate of 6% per annum. The note will be repaid when the Parent has sufficient cash flow to make such payments.

- On June 16, 2011, a $300,000 unsecured note was executed with the Parent, accruing interest at a rate of 6% per annum. The outstanding balance on this note amounts to $125,000 at June 30, 2013. The note will be repaid when the Parent has sufficient cash flow to make such payments.

- Total unpaid accrued interest receivable due from the Parent amounted to $48,005 as of June 30, 2013 relating to the above. Related party interest income amounted to $21,375 for the year ended June 30, 2013.

Board members of the Parent are also Board members of the Agency.

Other Related Party Transactions

The Agency purchases supplies and services from ACRMD Community Mental Retardation Services Company, Inc. ("Community"), which is related because certain Agency employees are board members of Community. The Agency also receives payment from Community for the outsourced labor provided to assist with the processing and packaging of the inventory items which Community sells to the Agency as well as to

9. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

other non-related entities. During the year ended June 30, 2013, purchases of supplies and services from Community totaled $619,779 and fees from Community for the provision of labor provided by the Agency totaled $135,085. At June 30, 2013, $47,979 was due to Community, which is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position. Additionally, at June 30, 2013, approximately $13,000 was owed to the Agency for outstanding fees, which is included in accounts receivable, net in the accompanying consolidated statement of financial position. In addition, the Agency also received approximately $30,000 from Community for reimbursement of its portion of fringe benefits and insurance costs paid on behalf of three of the Agency's employees who provide services to the not-for-profit related party. No reimbursable costs were outstanding as of June 30, 2013.

The Agency purchases document storage, messenger, landscaping, and maintenance services from ACRMD Enterprises LLC ("Enterprise"), a wholly-owned subsidiary of Community. During the year ended June 30, 2013, purchases of these services from Enterprise totaled $126,534. At June 30, 2013, $23,730 was due to Enterprise, which is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

Management periodically reviews the related party accounts and notes receivable amounts to determine if an allowance is necessary. The related party receivables have been adjusted for all known uncollectible accounts. At June 30, 2013, no allowance was necessary because the related party receivables were determined to be fully collectible.

10. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

June 30, 2013	Cost	Estimated Useful Lives
Land	$ 4,549,267	
Construction in progress	48,034	
Buildings and improvements	26,582,525	5-20 years
Furniture and equipment	3,217,232	5 years
Vehicles	325,926	4 years
Leasehold improvements	7,934,562	Life of lease
	42,657,546	
Less: accumulated depreciation and amortization	(24,789,011)	
	$ 17,868,535	

The above amounts include land and buildings which were donated to the Agency by the OPWDD. The Agency is subject to adherence of certain terms, conditions, and restrictions as to the use and ultimate disposition of these properties as further delineated in the disposition and subordination agreements entered into with the funding source.

Depreciation and amortization expense was $2,118,627 for the year ended June 30, 2013.

11. MORTGAGES PAYABLE - DASNY

Mortgages payable – DASNY represents self-liquidating term-notes owed to DASNY, which has as its agent, the OPWDD.

As part of its program service fees, OPWDD makes direct payments to DASNY to satisfy certain debt service and administration fees. The payments are first applied to interest and then to principal. The Agency will receive additional amounts of reimbursement as an increase to its per diem rates to repay these recoupments. The mortgage notes are collateralized by (i) the real property located at each of the sites (ii) all accounts receivable generated from billings related to the respective locations, and (iii) all personal property owned by the Agency located at each of the sites. The Agency is entitled to credits in an amount equal to the past accrued interest earned on the debt service reserve fund due from New York State for some of the above-mentioned liabilities. When such credits are determined and applied to the corresponding mortgages, then those mortgage liabilities will be reduced accordingly.

Additional information for the mortgages payable - DASNY is reflected below.

Property	Maturity Date	Interest Rate	Outstanding at June 30, 2013
South Avenue	8/15/2015	7.68%	$ 71,991
213-233 48th Street (Sunset I)	2/15/2018	7.34%	483,085
87-21 121st Street (Queens)	2/15/2018	6.41%	1,250,250
Jumel	8/15/2018	6.41%	491,632
Total Mortgages Payable - DASNY			$ 2,296,958

The mortgage balances for the 213-233 48th Street and 87-21 121st Street locations are for the Day Treatment and Day Habilitation Programs, respectively. Since the year ended June 30, 2004, OPWDD allocates a portion of the bond (mortgage) payable to a separate Day Habilitation Medicaid Management Information System ("MMIS") Provider number for debt recovery purposes. However, the total indebtedness does not change.

During the year ended June 30, 2013, one site that was mortgaged was paid in full under normal amortization terms.

Under the terms of the mortgages payable – DASNY, the Agency is required to fulfill certain financial covenants.

12. LINES OF CREDIT

Under the terms of a line of credit agreement with Bank of America entered into on March 31, 2013, the Agency may borrow up to $5,000,000 at the bank's prime interest rate plus 0.5% (3.25% at June 30, 2013) through March 31, 2014, when the agreement expires. The Agency's property and leasehold improvements not otherwise encumbered have been pledged as collateral against any advances on the line of credit. There was no balance outstanding on this line of credit as of June 30, 2013. The Agency is required to fulfill certain financial covenants.

The Agency has a line of credit agreement with J.P. Morgan Chase for a maximum amount of $5,000,000 which expires on March 13, 2014. The proceeds of the line of credit are to be used for operating expenses. Interest is charged at the bank's floating rate of prime plus 0.5% (3.25% at June 30, 2013) and is secured by a lien on the Agency's government receivables not otherwise encumbered. The government receivables totaled

12. LINES OF CREDIT (CONTINUED)

$18,054,416 at June 30, 2013 and are reflected in the accompanying financial statements as accrued income receivable. There was no outstanding balance on the line of credit as of June 30, 2013.

13. BONDS PAYABLE - DASNY

Bonds payable – DASNY includes the following at June 30, 2013:

Series	Due Date	Interest Rates	Principal Due
2010 A-1 and A-2	July 2028	2.10% to 5.00%	$ 5,185,000
2011 A-1 and A-2	July 2026	1.40% to 4.00%	1,810,000
2013 A-1 and A-2	July 2038	2.00% to 4.00%	3,665,000
Total Bonds Payable-DASNY			$ 10,660,000

2010 A-1 and A-2

In March 2010, a bond payable – DASNY was issued in the amount of $6,125,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2010A, subseries 2010A-1, and 2010A-2 (the "2010 Bonds"). The Agency used the proceeds from the 2010 Bonds to pay down $5,485,795 of indebtedness on seven properties.

The interest is payable to the bondholders on a semi-annual basis commencing on August 1, 2010. The principal is payable to the bondholder on an annual basis commencing on August 1, 2011. The cost of the bond issuance amounted to $318,265 of which $77,194 was amortized as of June 30, 2013. The cost of bond discounts amounted to $78,515, of which $19,245 was amortized as of June 30, 2013.

The Agency is required to make deposits for interest and principal under the 2010 Bond loan agreement monthly on the 10th day of each month into the debt service escrow fund (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2013	$ 475,000
2014	495,000
2015	410,000
2016	415,000
2017	415,000
Thereafter	2,975,000
	$ 5,185,000

13. BONDS PAYABLE – DASNY (CONTINUED)

The 2010 Bonds are secured ratably by each applicable mortgage on the properties and the DASNY's security interest in the pledged program service fees revenues subject to prior pledges.

Under the terms of the bonds payable – DASNY, the Agency is required to fulfill certain financial covenants.

2011 A-1 and A-2

On August 17, 2011, a bond payable – DASNY was issued in the amount of $1,925,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2011A, subseries 2011A-1, and subseries 2011 A-2 (the "2011 Bonds"). The Agency used the proceeds from the 2011 Bonds to pay down $1,182,262 of indebtedness on two properties.

The interest rate is not to exceed 4.125% on the Series 2011 Bonds. The interest is payable to the bondholders on an annual basis commencing on July 1, 2012. The cost of the bond issuance amounted to $162,053 of which $19,184 was amortized as of June 30, 2013. The cost of the bond discounts amounted to $12,469 of which $1,541 was amortized during the year ending June 30, 2013.

The Agency is required to make deposits for interest and principal under the loan agreement monthly on the 10th day of each month into the debt service escrow fund (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2013	$ 120,000
2014	125,000
2015	125,000
2016	125,000
2017	130,000
Thereafter	1,185,000
	$ 1,810,000

The 2011 Bonds are secured by each mortgage on the properties and a lien on the furnishings and equipment located at each mortgaged property.

Under the terms of the bond payable – DASNY, the Agency is required to fulfill certain financial covenants.

2013 A-1 and A-2

On March 13, 2013, a bond payable – DASNY was issued in the amount of $3,665,000 and is related to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2013A, subseries 2013A-1, and subseries 2013 A-2 (the "2013 Bonds").

13. BONDS PAYABLE – DASNY (CONTINUED)

The interest is payable to the bondholders on an annual basis commencing on July 1, 2013. The cost of the bond issuance amounted to $289,789 of which $1,304 was amortized as of June 30, 2013. The cost of the bond discounts amounted to $33,679 of which $119 was amortized during the year ending June 30, 2013.

The Agency is required to make deposits for interest and principal under the loan agreement monthly on the 10th day of each month into the debt service escrow fund (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2013	$ 15,000
2014	160,000
2015	160,000
2016	165,000
2017	165,000
Thereafter	3,000,000
	$ 3,665,000

The 2013 Bonds are secured by each mortgage on the properties and a lien on the furnishings and equipment located at each mortgaged property.

Under the terms of the bond payable – DASNY, the Agency is required to fulfill certain financial covenants.

14. BONDS PAYABLE - IDA

Bonds payable – IDA includes the following at June 30, 2013 :

Series	Due Date	Interest Rates	Principal Due
2002 C-1	July 1, 2017	5.50% to 6.50%	$ 1,660,000
2004 A-1 and B-1	July 1, 2023	3.05% to 5.05%	2,525,000
2004 C-1	July 1, 2014	5.25%	250,000
2008 A-1 and A-2	July 1, 2033	5.70% to 6.20%	2,580,000
Total Bonds Payable- IDA			$ 7,015,000

Bonds Payable - IDA-2002

The Bonds payable – IDA – 2002 represents amounts owed relating to the New York City Industrial Development Agency ("IDA") Civic Facility Revenue Bonds (Special Needs Facilities Pooled Program), Series 2002 C-1.

14. BONDS PAYABLE – IDA (CONTINUED)

The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2003. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2003. The cost of the bond issuance amounted to $395,027 of which $246,533 was amortized as of June 30, 2013.

Deposits for interest and principal payments for the bond holders under the loan agreement are to be made monthly and deposited into the applicable debt service escrow accounts by the Agency until it comes due to pay the bondholders (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2013	$ 280,000
2014	280,000
2015	280,000
2016	280,000
2017	540,000
	$ 1,660,000

Bonds Payable - IDA-2004

Bonds Payable – IDA – 2004 at June 30, 2013 represents amounts owed relating to IDA Civic Facility Revenue Bonds (Special Needs Facilities Pooled Program) Series 2004 A-1 and B-1, and Series 2004 C-1.

Series 2004 A-1 and B-1 Bonds - The Agency used the Series A-1 and B-1 bond proceeds to pay down $4,112,273 of indebtedness on four properties in a prior year. The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2004. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2004.

The cost of the bond issuance amounted to $696,558 of which $356,924 was amortized as of June 30, 2013.

Deposits for interest and principal payments for the bondholders under the loan agreement are to be made monthly and deposited into the applicable debt service escrow accounts by the Agency until it comes due to pay the bondholders (Note 5).

14. BONDS PAYABLE – IDA (CONTINUED)

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2013	$ 215,000
2014	220,000
2015	220,000
2016	220,000
2017	220,000
Thereafter	1,430,000
	$ 2,525,000

Series 2004 C-1 Bonds - The Agency used the Series C-1 bond proceeds to pay down $805,621 of indebtedness on one property and to pay off a balance due on one line of credit in a prior year. The interest is payable to the bondholders on a semi-annual basis commencing on January 1, 2005. The principal is payable to the bondholders on an annual basis commencing on July 1, 2005. The cost of the bond issuance amounted to $50,095, of which $42,517 was amortized as of June 30, 2013. The cost of bond discounts amounted to $41,281, of which $37,669 was amortized as of June 30, 2013.

Deposits for interest and principal payments for the bondholders under the loan agreement are to be made monthly and deposited into the applicable debt service escrow accounts by the Agency until it comes due to pay the bondholders (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2013	$ 120,000
2014	130,000
	$ 250,000

Bonds Payable - IDA-2008

Bonds payable – IDA – 2008 represents amounts owed to IDA Civic Facility Revenue Bonds (Special Needs Facilities Pooled Program), Series 2008 A. These bonds are segregated into Series 2008 A-1 and Series 2008 A-2 (taxable).

The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2008. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2008. The cost of the bond issuance amounted to $265,634, of which $131,711 was amortized as of June 30, 2013.

The bond agreement has a first lien on the properties being mortgaged except for the facility located at 213 48th Street, Brooklyn, which is a second lien.

14. BONDS PAYABLE – IDA (CONTINUED)

Deposits for interest and principal payments for the bondholders under the loan agreement are to be made monthly and deposited into the applicable debt service escrow accounts by the Agency until it comes due to pay the bondholders (Note 5).

The principal payments of the debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2013	$ 260,000
2014	170,000
2015	170,000
2016	175,000
2017	175,000
Thereafter	1,630,000
	$ 2,580,000

Bonds Payable – IDA – General Terms

The Agency anticipates that, periodically, OPWDD will adjust the certain program service fees to provide the Agency with the sufficient amounts to repay the debt principal, related interest, and fees. The Series 2002 C-1, 2004 A-1, B-1, and C-1, as well as Series 2008 A-1 and A-2 bonds will be secured ratably by the IDA's security interest in certain pledged revenues as well as the amounts held in cash and cash equivalents restricted to debt service escrow (Note 5).

The underlying properties secure the respective Bonds with first liens except where otherwise noted.

15. MATURITIES OF DEBT TO THIRD PARTIES

The short-term and long-term third-party debt is comprised of the following:

June 30, 2013	
Mortgages payable – DASNY	$ 2,296,958
Bonds payable – DASNY	10,660,000
Bonds payable – IDA	7,015,000
	$ 19,971,958

16. MATURITIES OF DEBT TO THIRD PARTIES (CONTINUED)

Approximate maturities of short-term and long-term third-party debt are as follows:

June 30,	
2014	$ 1,947,525
2015	2,075,091
2016	1,852,075
2017	1,884,125
2018	1,541,142
Thereafter	10,672,000
	$ 19,971,958

The above maturities are not reduced by the funds held in the various debt service escrow accounts (Note 5) for interest earned currently and the last year of a particular bond's obligation are utilized to reduce the Agency's payments thereon.

17. SELF FUNDED INSURANCE

All Agency employees have an option to participate in the Agency's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions and is held in a separate reserve bank account. The Agency has contracted with Aetna, Inc., a third-party administrator, to provide administrative services for this health care benefits program. The health care benefits program has stop loss coverage of $150,000 per person and a total of one hundred fifty percent of claims estimated at the beginning of the policy year. As of June 30, 2013, cash designated for this program totaled $5,512,793 and the estimated liability for outstanding claims at June 30, 2013 totaled $901,599.

All Agency employees are covered by a self-funded worker's compensation benefits program administered by Hartford. The workers' compensation benefits program has a stop loss policy of $250,000 per incident, up to $1,300,000 for the current policy year. The workers' compensation claims are paid out of employer contributions and is held in a separate reserve bank account. As of June 30, 2013, cash designated for this program totaled $754,909 and the estimated liability for outstanding claims at June 30, 2013 totaled $1,148,224.

The Agency is partially self-insured for its workers' compensation commitments. Accordingly, the Agency has provided approximately $1,363,380 in Letters of Credit for performance guarantees, which are secured by certificates of deposits in investments on the accompanying consolidated statement of financial position.

18. DEFINED BENEFIT PENSION PLAN

The Agency has a defined benefit pension plan (the "Plan") covering all of its eligible employees. The benefits are based on years of service and the employee's highest five years of compensation during the last ten years of employment. The Agency's funding policy is to contribute annually the required amount that should be deducted in accordance with federal income tax guidelines. The Agency's contributions for calendar year 2012 met the minimum funding requirements of ERISA.

The Agency, as the sponsor of the Plan, froze the Plan effective December 31, 2010. Although the Plan remains frozen, the Agency has the ability to unfreeze the Plan in the future, subject to certain conditions.

18. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Agency is required to contribute approximately $1,260,000 to its defined benefit plan for the year ended June 30, 2014.

The benefits paid amounted to $716,326 during the fiscal year ended June 30, 2013.

Under U.S. GAAP, a liability is disclosed at fiscal year-end. The pension liability is an aggregation of the excess of total benefit obligation over fair value of plan assets at the end of the year. There is a cumulative amount totaling $6,052,089 of pension liability as of June 30, 2013.

The changes in the defined benefit pension obligations, plan assets and funded status for the year ended June 30 were as follows:

	Pension Benefits 2013
Reconciliation of benefit obligation:	
Benefit obligation, beginning of year	$ 36,073,121
Service cost	-
Interest cost	1,535,441
Actuarial gain	(3,806,829)
Benefits paid	(716,326)
Benefit obligation, end of year	$ 33,085,407
Reconciliation of fair value of plan assets:	
Fair value of plan assets, beginning of year	$ 24,072,358
Actual return on plan assets	2,413,065
Employer contributions	1,264,221
Benefits paid	(716,326)
Fair value of plan assets, end of year	$ 27,033,318
Funded status, end of year	$ (6,052,089)
Amounts recognized in the consolidated statement of financial position:	
Prepaid pension costs	$ 2,835,134
Accumulated change in unrestricted net assets	(8,887,223)
Funded status, end of year	$ (6,052,089)

18. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions

Without the exception of the discount rate, the Agency's independent enrolled actuary certified the following significant weighted-average assumptions in order to determine benefit obligations net periodic pension cost as of June 30, 2013:

Discount rate	5.00%
Expected long-term rate of return on plan assets	7.00%
Rate of compensation increase	0.00%

The discount rate was increased from 4.30% to 5.00%, which decreased the projected benefit obligation by approximately $3,617,000.

Net periodic pension cost and other amounts recognized in the statement of activities for the year ended June 30, 2013 included the following components:

Sevice cost	$ -
Interest cost	1,535,441
Expected return on plan assets	(1,930,575)
Amortization of net loss	856,858
Net periodic pension cost	$ 461,724

Investment Strategies

With respect to the Plan assets, investments are to be made consistent with the safeguards and diversity to which a prudent investor would adhere to. Following is a description of the investment guidelines used for the Plan's investment funds:

Equities - General assurances by the Plan's Investment Advisor includes criteria that no more than 2% of the equity position of the entire Plan assets portfolio at cost, and 3% at market value, shall be invested in any one company, and no more than 50% of any individual Money Manager's portfolio at cost, and 60% at market value shall be invested in any one company. Investment possibilities includes 1) common stock listed on any U.S. exchange or the over-the-counter market with the requirement that such stock have, in the reasonable opinion of each of the Money Managers, adequate market liquidity relative to the size of the investment, 2) foreign ordinary securities, 3) international investments managed by an International/Global Money Manager which adhere to specific criteria, including a limitation that no more than 20% of the value of the managed international portfolio's total assets, measured at time of purchase may be invested in securities of companies in emerging securities markets throughout the world, and 4) exchange traded funds (not subject to the diversification guidelines above. Furthermore, there are several categories of securities and types of transactions that are not permissible for investments and should not be part of the portfolio, including short sales, put and call options, margin purchases, private placements, commodities, securities of the Investment Advisor or any of the Money Managers, their direct

18. DEFINED BENEFIT PENSION PLAN (CONTINUED)

parent or their subsidiaries, penny stocks, and derivatives. In addition, the Agency may identify additional securities to be restricted.

Fixed Income - Diversification of the fund includes assurances that no more than 5% of the Plan's portfolio should be invested in bonds of any one issuer, and there shall be no limit on direct obligations of the U.S. government. The Plan should not invest in any fixed-income security carrying a rating less than BBB/Baa by either Standard & Poor or Moody's. If issues are downgraded so as to violate these guidelines, the Plan's Trustee should judiciously liquidate them. Issues within a quality high yield mutual fund are exempt from this provision. With regards to maturity, the market value weighted average maturity of the bond portfolio should not exceed 15 years, and no holding may have an absolute maturity of more than 30 years at the time of purchase. Generally, fixed income investments includes debt securities guaranteed by the U.S. government, corporate bonds, high quality and high yield mutual funds, international bond mutual funds, indexed notes, Yankee bonds, and preferred stock issues.

Corporate Bonds - Valued at the closing price reported in the active market in which the bond is traded.

Equities - Valued at the closing price reported on the major stock exchanges.

Money Funds - Prices are received from various pricing services. For instances where pricing sources are not readily available, estimated prices may be generated by a matrix system or a market-driven pricing model.

Governmental Securities - Valued at the closing price reported in active market in which the individual security is traded.

Mutual Funds - Valued using market value as listed in active exchange markets.

Municipal Bonds - Valued at the closing price reported in active market in which the individual security is traded.

International Bonds - Valued at the closing price reported in active market in which the individual security is traded.

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

18. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The pension plan asset allocations, along with respective dollar values and fair value measurements, at June 30, 2013, by asset category are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Funds	$ 2,673,410	$ -	$ 2,673,410	$ -
Equities:				
Basic Materials	239,586	239,586	-	-
Consumer Goods	291,351	291,351	-	-
Financials	1,588,542	1,588,542	-	-
Healthcare	534,679	534,679	-	-
Industrial Goods	433,558	433,558	-	-
Oil & Gas	480,069	480,069	-	-
Services	718,995	718,995	-	-
Technology	866,858	866,858	-	-
Telecommunications	15,092	15,092	-	-
Government Securities	1,425,248	1,425,248	-	-
Municipal Bonds	289,699	289,699	-	-
International Bonds	786,823	786,823	-	-
Corporate Bonds	5,969,577	5,969,577	-	-
Mutual Funds:				
Mid Cap Growth	734,422	734,422	-	-
Mid Cap Value	775,971	775,971	-	-
Small Cap Growth	133,812	133,812	-	-
Small Cap Value	300,650	300,650	-	-
Large Cap Foreign	1,973,985	1,973,985	-	-
Large Cap Growth	3,958,366	3,958,366	-	-
Large Cap Value	251,370	251,370	-	-
Emerging Markets	1,807,847	1,807,847	-	-
REITs	783,408	783,408	-	-
	$ 27,033,318	$ 24,359,908	$ 2,673,410	$ -

Transfer Between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The plan administrators evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended June 30, 2013, there were no significant transfers in or out of levels 1, 2 or 3.

18. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Expected Future Benefit Payments

Benefit payments for defined benefit pension plans, which reflect expected future service, as appropriate, are expected to be paid as follows:

June 30,	Pension benefits expected to be paid
2014	$ 1,157,962
2015	909,830
2016	1,015,713
2017	1,131,434
2018	1,235,808
2019-2023	7,902,281
	$ 13,353,028

19. POSTRETIREMENT HEALTH CARE BENEFIT PLAN

The Agency sponsors a defined benefit postretirement health care benefit plan.

Plan Provisions

Retired Prior to January 1, 2000

For certain long-service employees, the plan will pay the monthly premium for the participant (and eligible spouse) to continue coverage under the pre-2000 postretirement plan.

Retired January 1, 2001 and Later

For employees who retire on or after age 65 with at least 20 years of service, the Agency will enroll the retiree and eligible spouse in an AARP Medicare Supplement plan and contribute the following towards such coverage (for each retiree and eligible spouse):

– 20 years of service	Plan E	–$130.25 per month
– 25 years of service	Plan G	–$152.25 per month
– 30 years of service	Plan I	–$259.00 per month

For employees who retire between ages 62 and 65, with the requisite years of service, the Agency will contribute, as per the above schedule, towards coverage under the current active employee's plan, until Medicare eligibility. At that time, the retiree will be treated in the same fashion as a post-65 retiree.

If an eligible spouse is not Medicare eligible, the Agency will contribute towards coverage under the current active employees' plan in an amount based on the retiree's service as described above.

19. POSTRETIREMENT HEALTH CARE BENEFIT PLAN (CONTINUED)

Determination of the Net Periodic Benefit Cost for the Fiscal Year

Net periodic benefit cost and other amounts recognized in unrestricted net assets for the year ended June 30, 2013 included the following components:

Service cost		$ 315,992
Interest cost		249,921
Amortization:		
(a) Transition obligation	-	
(b) Prior service cost	63,914	
(c) (Gain)/loss	26,095	
Net Amortization		90,009
Net periodic benefit cost		$ 655,922

Reconciliation of Funded Status for the Fiscal Year Ended June 30, 2013

Accumulated postretirement benefit liability at June 30, 2013	$	(5,595,566)
Net liability recognized at June 30, 2013	$	(5,595,566)

Net Amount Recognized in Consolidated Statement of Financial Position

Beginning of year	$	(5,838,604)
Service cost		(315,992)
Interest cost		(249,921)
Expected return on plan assets		-
Employer contributions		51,285
Net gain/(loss)		757,666
Prior service credit/(cost)		-
End of year	$	(5,595,566)

19. POSTRETIREMENT HEALTH CARE BENEFIT PLAN (CONTINUED)

Assumptions

Mortality:	RP 2000 Separate Annuitants and Non-Annuitants Mortality Table projected to 2013 for males and females
Claim cost:	Monthly premium
Trend:	4.70% - 8.90% – based on the year of retirement
Funding method:	Projected Unit Credit Actuarial Cost Method

a) The discount rate was changed from 4.30% to 5.00% which decreased the accumulated postretirement benefit liability by approximately $782,000.

b) Based upon the plan provisions, the Affordable Care Act will have an immaterial effect on the accumulated postretirement benefit obligation and the net periodic benefit cost of the Agency's postretirement health care benefit plan.

	Postretirement Benefits	
	Accumulated Postretirement Benefit Liability	Service Cost Plus Interest Cost
At trend	$ 5,595,569	$ 565,913
At trend + 1%	5,653,284	568,401
Dollar impact	57,715	2,488
Percentage impact	1.03%	0.44%
At trend – 1%	5,546,147	563,800
Dollar impact	(49,422)	(2,113)
Percentage impact	-0.88%	-0.37%

19. POSTRETIREMENT HEALTH CARE BENEFIT PLAN (CONTINUED)

Expected Future Benefit Payments

Benefit payments for postretirement health care benefit plans, which reflect expected future service, as appropriate, are expected to be paid as follows:

Fiscal Year Ending June 30,	Postretirement Benefits
2013	$ 66,446
2014	78,985
2015	95,470
2016	110,726
2017	131,283
2018-2022	1,042,162
	$ 1,525,072

20. TEMPORARILY RESTRICTED NET ASSETS

The changes in contributions, which comprise the Agency's temporarily restricted net assets for the year ended June 30, 2013, which are available for use in future years, were as follows:

	Balance at 6/30/12	Additions	Expenditures	Balance at 6/30/13
Program	$ 38,616	8,267	(3,117)	$ 43,766

The funds released from restrictions were used towards other expenses for some of the Agency's programs.

21. COMMITMENTS AND CONTINGENCIES

General

Pursuant to the Agency's contractual relationships with certain funding sources, outside agencies have the right to examine the Agency's books and records which pertain to transactions relating to these contracts. The accompanying consolidated financial statements do not include a provision for possible disallowances and reimbursements. Management believes that any actual disallowances, if any, would be immaterial. In addition, certain agreements provide that certain property and equipment owned by or on loan to the Agency (Note 10) be utilized by the Agency for its continued ownership, since the costs of such property and equipment were funded under these agreements ("Reversing Assets").

There are certain amounts of real and personal property used by the Agency in its program operations which is owned by New York State and/or other governmental sources. The Agency uses some of these real and personal properties at no cost. The value of the benefit received for use of these real and personal properties is not readily measurable, is not recorded in the accompanying consolidated financial statements, and is consistent with similar industry practices.

21. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Agency has a number of pending lawsuits and/or claims against them for a variety of reasons. The alleged claims are being handled by legal counsel and/or by its insurance providers. In the opinion of the Agency's legal counsel and management, there is no basis to establish a liability for any loss contingency due to lack of merit or insurance coverage exceeding expected settlement amounts.

On March 13, 2013, the Agency entered into a collective bargaining agreement with the Civil Service Employees Association, Inc. ("CSEA"). The collective bargaining agreement is set to expire on June 30, 2015. Approximately 74% of the Agency's labor is represented by the CSEA.

Operating Leases

The Agency is obligated, pursuant to real property lease agreements, for minimum monthly rentals for its administrative and program operations as follows:

June 30,		
2014	$	6,582,544
2015		5,085,020
2016		3,722,000
2017		3,521,865
2018		3,113,271
Thereafter		15,343,877
	$	37,368,577

For the year ended June 30, 2013, rent expense was $7,115,385, which was generally recovered through fees for service from the funding sources.

A renewal option allows the Agency, at its sole option, the right to extend some of the leases for an additional five-year period with a predetermined rent base amount with annual rent percentage increases. Various leases have rent escalations in which various predetermined annual percentage increases exist throughout the lease periods. A clause exists whereby, in the event that real estate taxes increase during the term of some of the leases, the Agency shall pay any increases in real estate taxes over the base year.

22. 403(b) TAX – SHELTERED ANNUITY PLAN

The Agency offers a 403(b) tax-sheltered annuity plan for all employees who are eligible and elect to participate. The plan is governed by IRS regulations setting the limits on the amount that employees may contribute and the conditions to withdraw monies from it. The employees each own their individual annuity plan and are responsible for deciding the amount of contributions they wish to make each year (up to the maximum stipulated by the IRS) and how the funds may be invested. There are no employer contributions.

23. CONCENTRATION OF CREDIT RISK

The Agency has maintained bank balances that often exceed the limit of the Federal Depository Insurance Corporation insurance coverage. The Agency verifies, on a quarterly basis, the equity strength and profitability of the banks it uses in order to minimize the risk.

23. CONCENTRATION OF CREDIT RISK (CONTINUED)

Approximately 12% of the Agency's accounts payable and accrued expenses as of June 30, 2013 were derived from one vendor.

The Agency eams its revenue and records related receivables primarily from service fees provided to individuals with developmental disabilities within the New York City area. A significant portion all of the Agency's revenue and receivables are received from Medicaid.

24. RISKS AND UNCERTAINTIES

The Agency's pension 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 value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying consolidated statement of financial position.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the consolidated financial statements.

The Agency is subject to indemnification clauses should they cause any of the tax exempt bonds to lose their tax exempt status.

The Agency's self funded insurance liability is based upon estimated claims at current year end. The actual claims may exceed the recorded amount.

25. PRIOR PERIOD ADJUSTMENT

The Agency has restated its previously issued 2012 financial statements to reflect its self funded health insurance and workers' compensation liabilities and related designated cash accounts. Previously, the Agency recognized contributions to the respective reserve accounts as expense. The Agency currently recognizes expense based on the date the claims were incurred.

The Agency also previously recognized legally restricted cash and cash equivalents as unrestricted cash and cash equivalents. The Agency now separated the cash and cash equivalents which is subject to legal restrictions of its use.

25. PRIOR PERIOD ADJUSTMENT (CONTINUED)

The net effect of the prior period adjustment resulted in an increase of prior year net assets by $2,636,380, as reflected below:

June 30, 2012	As Previously Reported	Adjustment	As Restated
Cash and cash equivalents restricted for debt service-escrow	$ -	$ 4,073,040	$ 4,073,040
Cash and cash equivalents related to debt service-escrow	$ 4,073,040	$ (4,073,040)	$ -
Cash and cash equivalents restricted- other	$ -	$ 653,994	$ 653,994
Cash and cash equivalents	$ 24,876,092	$ (653,994)	$ 24,222,098
Cash and cash equivalents designated for self funded insurance	$ -	$ 4,532,119	$ 4,532,119
Self funded insurance liability	$ -	$ (1,895,739)	$ (1,895,739)
Net assets, unrestricted	$ 11,028,915	$ 2,636,380	$ 13,665,295

26. SUBSEQUENT EVENTS

The OPWDD, in consultation with the State Department of Health ("DOH") has begun the process of seeking significant programmatic and fiscal changes to the OPWDD service system. The new direction for OPWDD, "The People First" Waiver is being developed with a 5 year statewide comprehensive plan through 2015.

Subsequent to year end and in anticipation of the changes in the OPWDD funding stream, the Agency entered into a verbal agreement with other six New York State Agencies to form a Developmental Disabilities Individual Support and Care Coordination Organization ("DISCO"). A letter of intent to become a DISCO has been submitted to OPWDD. At this time it is undetermined if OPWDD will approve the letter of intent. Final request for applications ("RFA") to become a DISCO have not yet been released by OPWDD and the changes as proposed by the "People First Waiver" Plan are still under review for approval.

APPENDIX B-IV

OHEL CHILDREN'S HOME AND FAMILY SERVICES, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2015, JUNE 30, 2014 AND JUNE 30, 2013)

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WeiserMazars LLP

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information
June 30, 2015 and 2014

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Ohel Children's Home and Family Services, Inc. and Affiliates
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Independent Auditors' Report

To the Board of Directors
Ohel Children's Home and Family Services, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Ohel Children's Home and Family Services, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Ohel Children's Home and Family Services, Inc. and Affiliates as of June 30, 2015 and 2014, 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.

WeiserMazars LLP

November 25, 2015

WeiserMazars LLP
135 West 50th Street – New York, New York – 10020
Tel: 212.812.7000 – Fax: 212.375.6888 – www.weisermazars.com

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statements of Financial Position

June 30, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 12,216,261	$ 7,849,589
Program receivables	6,502,502	6,276,459
Pledges receivable	4,063,464	3,297,246
Grants receivable	1,285,469	2,126,473
Investments	886,713	807,396
Other receivables	62,820	11,353
Property and equipment, net of accumulated depreciation	47,919,165	36,777,312
Client custodial funds	468,039	464,588
Prepaid expenses and other assets	621,773	987,455
Debt reserve funds	524,565	533,814
Total assets	$ 74,550,771	$ 59,131,685
Liabilities and Net Assets		
Bank lines of credit payable	$ 8,500,000	$ 8,826,515
Accounts payable and accrued expenses	2,332,860	2,292,716
Accrued salaries and fringes	2,586,008	2,506,870
Mortgages and bonds payable	17,596,750	12,700,918
Notes payable	2,017,667	2,683,550
Capital lease obligations payable	469,087	154,099
Due to governmental agencies	5,520,916	2,815,707
Client custodial funds	468,039	464,588
Deferred revenue	1,600,256	1,362,718
Compensated absences payable	1,174,215	1,138,830
Unfunded pension obligation	1,662,320	1,872,805
Total liabilities	43,928,118	36,819,316
Commitments and contingencies		
Unrestricted net assets:		
Undesignated	17,736,497	9,011,317
Board designated	10,147,861	10,317,722
Temporarily restricted	2,105,147	2,368,387
Permanently restricted	633,148	614,943
Total net assets	30,622,653	22,312,369
Total liabilities and net assets	$ 74,550,771	$ 59,131,685

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Program service fees	$ 53,833,252	$ -	$ -	$ 53,833,252
Contributions and operating grants	3,933,562	1,828,934	-	5,762,496
Contributions - capital campaign	2,045,500	-	-	2,045,500
Special events (less direct costs of $889,756)	1,828,954	-	-	1,828,954
Rental and other income, net	673,934	-	18,205	692,139
Net assets released from restrictions	2,092,174	(2,092,174)	-	-
Total revenue	64,407,376	(263,240)	18,205	64,162,341
Expenses				
Program	54,202,443	-	-	54,202,443
Fund raising	2,153,540	-	-	2,153,540
General and administrative	8,388,823	-	-	8,388,823
Total operating expenses	64,744,806	-	-	64,744,806
Change in net assets before other items	(337,430)	(263,240)	18,205	(582,465)
Other items				
Gain on sale of property	9,261,565	-	-	9,261,565
Pension related credits, other than net periodic costs	(368,816)	-	-	(368,816)
Increase (decrease) in net assets	8,555,319	(263,240)	18,205	8,310,284
Net assets				
Beginning of year	19,329,039	2,368,387	614,943	22,312,369
End of year	$ 27,884,358	$ 2,105,147	$ 633,148	$ 30,622,653

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Program service fees	$ 52,442,600	$ -	$ -	$ 52,442,600
Contributions and operating grants	3,702,473	2,128,570	4,220	5,835,263
Special events (less direct costs of $858,831)	1,494,554	-	-	1,494,554
Rental and other income, net	468,464	(26,997)	53,613	495,080
Net assets released from restrictions	1,339,751	(1,339,751)	-	-
Total revenue	59,447,842	761,822	57,833	60,267,497
Expenses				
Program	51,495,709	-	-	51,495,709
Fund raising	1,428,698	-	-	1,428,698
General and administrative	7,538,028	-	-	7,538,028
Total operating expenses	60,462,435	-	-	60,462,435
Change in net assets before other items	(1,014,593)	761,822	57,833	(194,938)
Other items				
Gain on sale of property	1,192,741	-	-	1,192,741
Pension related credits, other than net periodic costs	701,536	-	-	701,536
Increase in net assets	879,684	761,822	57,833	1,699,339
Net assets				
Beginning of year	18,449,355	1,606,565	557,110	20,613,030
End of year	$ 19,329,039	$ 2,368,387	$ 614,943	$ 22,312,369

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statements of Functional Expenses

Years Ended June 30, 2015 and 2014

	Program	Fundraising	General and Administrative	2015 Total	2014 Total
Personal services	$ 29,255,074	$ 1,063,379	$ 3,927,130	$ 34,245,583	$ 31,672,905
Payroll taxes and benefits	6,999,823	230,655	886,834	8,117,312	7,319,109
Rent	3,540,422	15,550	331,097	3,887,069	3,191,503
Depreciation	2,217,773	5,994	330,642	2,554,409	2,548,895
Food	2,072,231	31,170	31,523	2,134,924	1,862,548
Client expenses	2,116,120	8,822	-	2,124,942	2,427,637
Office expenses	668,031	392,563	92,347	1,152,941	1,126,138
Interest	400,104	504	288,547	689,155	1,228,146
Professional fees	437,540	98,232	806,307	1,342,079	1,128,561
Transportation	463,683	17,957	42,719	524,359	439,582
Utilities	680,236	-	146,023	826,259	841,903
Supplies	684,037	-	29,722	713,759	862,468
Communication	654,541	11,408	280,575	946,524	1,007,904
Technology	324,466	6,066	650,960	981,492	608,340
Equipment leasing	391,429	19,532	48,524	459,485	439,472
Repairs and maintenance	1,121,175	6,672	123,837	1,251,684	1,265,829
Medical expenses	418,624	-	-	418,624	327,583
Foster boarding fees	424,542	-	-	424,542	431,155
Bad debt expense	50,527	119,858	-	170,385	-
Facility assessment	411,415	-	-	411,415	478,835
Insurance	486,495	79	200,708	687,282	773,095
Advertising	218,756	125,099	171,328	515,183	294,607
School expenses	165,399	-	-	165,399	186,220
Total expenses	$ 54,202,443	$ 2,153,540	$ 8,388,823	$ 64,744,806	$ 60,462,435

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2014

	Program	Fund Raising	General and Administrative	2014 Total
Personal services	$ 27,310,414	$ 778,102	$ 3,584,389	$ 31,672,905
Payroll taxes and benefits	6,201,495	155,712	961,902	7,319,109
Rent	3,154,260	5,310	31,933	3,191,503
Depreciation	2,188,846	7,075	352,974	2,548,895
Food	1,801,081	26,225	35,242	1,862,548
Client expenses	2,425,848	1,454	335	2,427,637
Office expenses	683,025	307,758	135,355	1,126,138
Interest	908,244	-	319,902	1,228,146
Professional fees	329,365	83,993	715,203	1,128,561
Transportation	394,119	7,317	38,146	439,582
Utilities	710,781	194	130,928	841,903
Supplies	821,308	1,383	39,777	862,468
Communication	692,307	13,630	301,967	1,007,904
Technology	184,149	-	424,191	608,340
Equipment leasing	380,199	8,752	50,521	439,472
Repairs and maintenance	1,109,197	6,449	150,183	1,265,829
Medical expenses	327,583	-	-	327,583
Foster boarding fees	431,155	-	-	431,155
Facility assessment	478,835	-	-	478,835
Insurance	598,098	3,538	171,459	773,095
Advertising	179,180	21,806	93,621	294,607
School expenses	186,220	-	-	186,220
Total expenses	$ 51,495,709	$ 1,428,698	$ 7,538,028	$ 60,462,435

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 8,310,284	$ 1,699,339
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,691,402	2,679,618
Pension related credits, other than net periodic costs	368,816	(701,536)
Unrealized loss (gain) on investments	8,297	(26,194)
Bad debt expense	170,385	-
Gain on sale of property	(9,261,565)	(1,192,741)
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Program receivables	(226,043)	529,881
Pledges receivable	(936,603)	(378,680)
Grants receivable	841,004	1,159,715
Other receivables	(51,467)	131,939
Prepaid expenses and other assets	365,682	(551,289)
Accounts payable and accrued expenses	40,144	(1,731,750)
Accrued salaries and fringes	79,138	(212,699)
Deferred revenue	237,538	375,567
Compensated absences payable	35,385	720
Due to governmental agencies	2,705,209	67,550
Unfunded pension liability	(158,331)	(224,437)
Net cash provided by operating activities	5,219,275	1,625,003
Cash flows from investing activities		
Property and equipment acquisitions	(6,588,216)	(1,463,834)
Proceeds from property held for resale	-	2,307,209
Proceeds from sale of property	10,202,643	-
Purchase of property	(8,200,000)	-
Purchase of investments	(87,614)	(79,643)
Net cash (used in) provided by investing activities	(4,673,187)	763,732
Cash flows from financing activities		
Utilization of (deposits to) debt reserve funds	9,249	(234,655)
Payments of bank line of credit - net	(326,515)	(173,485)
Proceeds from refinanced mortgage	8,600,000	5,775,000
Repayment of mortgages and bonds payable	(3,704,168)	(5,174,415)
Proceeds from notes payable	9,210,697	784,000
Repayment of notes payable	(9,876,580)	(3,598,662)
Repayments of capital lease obligations	(92,100)	(49,999)
Net cash provided by (used in) financing activities	3,820,583	(2,672,216)
Net increase (decrease) in cash and cash equivalents	4,366,671	(283,481)
Cash and cash equivalents		
Beginning	7,849,589	8,133,070
Ending	$ 12,216,260	$ 7,849,589
Supplementary disclosures:		
Cash paid during the year for interest	$ 743,584	$ 1,191,331
Non-cash investing and financing activities		
Capital expenditures funded by capital lease borrowings	$ 358,438	$ -

The accompanying notes are an integral part of these financial statements.

1. Organization and Purpose

The accompanying consolidated financial statements include the accounts of Ohel Children's Home and Family Services, Inc. ("Ohel"), and its member companies; Camp Ohel, Inc. d.b.a. Camp Kaylie ("Camp Ohel" or "Camp Kaylie") and The Tikvah Etta and Lazear Israel Center for the Developmentally Disabled, d.b.a. Etta Israel Center ("Etta"), collectively, the "Agency".

Ohel is organized under the not-for-profit corporation law of the State of New York. Ohel was established to provide services for the care of destitute, abandoned, dependent, neglected and emotionally disturbed children and adults, and has been granted an exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

In the ensuing years, Ohel has significantly expanded and operated residential facilities to provide care and treatment for developmentally and physically disabled children and adults in the metropolitan New York area. In addition, Ohel operates other non-residential programs such as outpatient clinics, day programs, family support camp, specialized treatment services, and crisis intervention. Ohel receives its support predominantly from Federal, New York State and City governmental sources as well as from private contributions.

In March 2010, Ohel expanded its services when the Board of Directors approved the purchase of a camp site in the Sullivan County area of New York.

Camp Ohel was incorporated July 16, 2008 as a New York not-for-profit corporation for the primary objective of developing and operating a fully integrated summer camp for children with and without developmental disabilities, and has been granted an exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Ohel is the sole member of Camp Ohel. Camp Kaylie also is utilized to provide respite opportunities to parents and family members with children who have disabilities. It is also available for rental to community groups.

Camp Ohel Realty Corporation ("Realty") was incorporated July 24, 2008 as a New York not-for-profit corporation for the sole purpose of holding title to real property to be used exclusively to support the charitable and education purposes of its sole member, Camp Ohel, and has been granted an exemption from Federal income tax pursuant to Section 501(c)(2) of the Internal Revenue Code. It is anticipated that Ohel will transfer all camp real estate to Realty during fiscal year ending June 30, 2016. Realty had no operations during the fiscal years ended June 30, 2015 and 2014.

On September 18, 2012, Ohel, with the approval of each agency's respective Board of Directors, and the California Secretary of State, became the sole member of Etta. Etta is organized under Section 23701(d) of the California Revenue and Taxation Code and has been granted exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

Ohel provides:

- Outpatient and residential services for children, adolescents and adults with developmental and psychiatric disabilities;
- Day habilitation services as well as comprehensive outpatient programs including respite, in home services and family support;
- Outpatient psychological and psychiatric evaluations and treatment for children, adults and families (treatment is also available for homebound individuals);
- Psychiatric day programs in a beautiful environment for adults with mental illness to socialize, work, study or have lunch with friends;
- In-home crisis assessment and referrals to individuals and families experiencing psychiatric, psychological or behavioral crisis;
- Foster care programs and caring for children suffering from abuse or neglect by placing them with loving and caring certified foster families;
- Day camps and overnight camps for children and young adults with psychiatric and developmental disabilities;
- The Mel & Phyllis Zachter OHEL Institute for Training provides dynamic trainings for the professional and lay communities featuring world-renowned experts. It offers cutting edge, problem-solving approaches to address a broad range of current mental health, education and social service concerns;
- Domestic Violence Program providing individualized counseling and support groups for women and children as well as temporary safe housing for victims of domestic violence, education to the community about this issue and the importance of providing options for women who are in abusive relationships;
- A program offering job preparation and placement for people with psychiatric and developmental disabilities;
- Confidential treatment by specially trained professionals for drug, alcohol, gambling and other addictions;
- Comprehensive preventive care services for families in need of crisis intervention and counseling.

Camp Kaylie's programs are specifically designed to address the unique and special needs and barriers that children with disabilities routinely encounter in a mainstream environment. Camp Kaylie's programs and specially trained staff focus on addressing the physical, emotional, and social skills, limitations and special needs of these children. The goals for Camp Kaylie are aimed at fostering skills development, self-confidence, socialization, independence, leadership and community responsibilities among children with disabilities.

A relatively unique but important aspect of Camp Kaylie's programs is the camper populate designed to include typically developing children (i.e., children without disabilities). The objective for integrating typically developing children with children with disabilities is aimed at enhancing the ability of children with disabilities to learn and develop skills and confidence in the least restrictive setting. Camp Kaylie's inclusion and integration concept will permit disabled and non-disabled siblings to attend camp together.

Etta serves the Los Angeles Community by offering direct care programs, such as group home residential facilities, supported living case management and coaching, social and recreational activities, special education classes, and counseling. Etta remains a California not-for-profit corporation with IRS 501(c)(3) status.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of the Agency have been prepared on the accrual basis.

Change in Reporting Period

The fiscal year-end of Camp Ohel, Inc. was changed to March 31, to better reflect the operations of the Camp. In previous years, the results were included for the twelve months ended June 30. Accordingly, the consolidated financial statements for the year ended June 30, 2015 includes only nine months of Camp Ohel, Inc. The impact of this change was not material to the Agency's change in net assets, consequently, prior period financial statements have not been restated for comparability.

Intercompany Balances and Transactions

All significant intercompany balances and transactions have been eliminated in consolidation. The accounts of Camp Ohel are included in the June 30, 2015 consolidated financial statements of the Agency as of its fiscal year end of March 31, 2015. No events occurred between March 31 and June 30, 2015 that materially affected the Agency's statement of financial position, statement of activities and change in net assets, or statement of cash flows.

Revenue

Program service fees represent the estimated net realizable amounts from third-party payors, clients and others for services rendered. Revenues derived under the third-party reimbursement programs are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment.

There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to funding source audit findings, additional monies available over and above original contract amounts and rate appeal results. Government funding source contracts may be subject to change during the course of a contract year. Additionally, contracts might be assigned to another government provider within a contract year. Some contracts provide for quarterly advances and upon finalization may require a repayment by the Agency or provide for a receivable from the funding source.

Receivables are evaluated periodically for collectability. Changes in the estimated collectability of the receivables are recorded in the statement of activities in the period in which the estimate is revised.

Contributions and Net Assets

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unrestricted net assets are resources that are undesignated, available for general purposes and are used for the general activities. Temporarily restricted net assets consist of resources, the use of which has been restricted by donors for specific purposes or the passage of time. Permanently restricted net assets consist of amounts which must be maintained by the Agency in perpetuity as stipulated by the donor. The release of net assets from temporary restrictions results from either the satisfaction of the restricted purposes specified by the donors, or from the passage of time. It is the Agency's policy to report as unrestricted support, donor-restricted contributions whose restrictions are met in the same reporting period. Board designated net assets represent unrestricted net assets used for capital acquisitions that have been set aside for future use.

Contributions receivable due in more than one year are discounted to their present value (estimated fair value) using a rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. Management determines an allowance for unredeemed promises by considering such factors as prior collection history with the donor, type of contribution and type of fund-raising event.

The Agency's permanently restricted net assets at June 30, consist of the following:

	2015	2014
Robert and Roselin Vegh Preventive Care Program	$ 70,345	$ 70,322
Harry S. Gindea Memorial Fund	57,256	57,238
Mel and Phyllis Zachter Ohel Endowment Fund	505,547	487,383
	$ 633,148	$ 614,943

The Agency's temporarily restricted net assets at June 30, consist of the following:

	2015	2014
Equipment, construction and renovations	$ 594,019	$ 627,676
Summer camp scholarships and recreation	312,598	535,514
Community awareness and education	446,294	262,831
Foster care	131,260	192,914
Charitable gift annuity trust	-	18,887
Residential and employment	615,196	721,785
Domestic violence	5,780	8,780
	$ 2,105,147	$ 2,368,387

Deferred Revenue
Deferred revenue in the amount of approximately $827,000 and $1,015,000 at June 30, 2015 and 2014, respectively, represents money received in advance for summer camp tuition. The balance of approximately $773,000 and $348,000 at June 30, 2015 and 2014, respectively, consists of other program advances of approximately $530,000 and $263,000 received for the fiscal year ending June 30, 2015 and 2014, and approximately $243,000 and $85,000 at June 30, 2015 and 2014, respectively, of deferred rental and interest income accrued. Revenue is recognized as services are provided.

Depreciation
Property and equipment are capitalized by Ohel and Camp Ohel, provided their costs are $5,000 or more and their useful lives is two years or more. Property and equipment are capitalized by Etta provided their costs are $1,000 or more. Maintenance and repairs are charged to expense as incurred.

No depreciation is recognized on construction-in-progress. Depreciation of buildings and improvements, leasehold improvements and furniture and fixtures are provided on the straight-line basis at various rates calculated to recognize the cost of the respective assets over their estimated useful lives (or, in the case of leasehold improvements, the lease term, if shorter) are as follows:

Building and improvement	25-30 years
Leasehold improvements	20 years
Furniture and fixtures	3-10 years

Depreciation expense amounted to $2,691,402 and $2,679,618 for the years ended June 30, 2015 and 2014, respectively. For the years ended June 30, 2015 and 2014, respectively, depreciation expense included in the consolidated statements of functional expenses is $2,554,409 and $2,548,895, respectively; and $136,993 and $130,723, respectively, is reflected as an offset to rental and other income.

Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Risks and Uncertainties
The Agency has various investments that are exposed to various risks, such as interest rate, market and credit risks. Due to the risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks or investment values in the near term could affect the amounts reported in the statements of financial position and statements of activities and changes in net assets.

Cash and Cash Equivalents
The Agency considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At various times throughout the year ended June 30, 2015, the Agency maintained balances in excess of Federal Deposits Insurance Corporation ("FDIC") insured limits. Deposits in excess of FDIC insured limits maintained at three banks were approximately $11.5 million of which approximately $10.6 million was at one bank. The Agency believes it mitigates its risks by banking with major financial institutions. The Agency has not experienced any losses in such accounts.

Investments
Investments are reported at fair value which is determined by reference to quoted market prices.

Debt Reserve Funds
Debt reserve funds represent amounts held by a financial institution in the name of the Agency to pay the debt service on various bond obligations. Monies are deposited monthly with the trustee based on debt and interest amortization schedules. Principal and interest payments to bondholders are made by the trustee on a semi-annual basis. The reserve earns interest, which is used to offset the Agency's interest payment obligations under the mortgages.

Client Custodial Funds
The Agency has signature authority over client custodial funds of approximately $468,000 and $465,000 at June 30, 2015 and 2014, respectively. These monies are available and used for authorized purchases of client personal needs.

Construction and Property Acquisition Grants
The Agency capitalizes costs of construction and property acquisitions as incurred and accrues income upon reimbursement by the grantor for amounts paid by the Agency.

Advertising
The Agency's policy is to expense advertising costs as incurred. Advertising expense included in program, fund raising and general and administrative expenses were approximately $515,000 and $295,000 for the years ended June 30, 2015 and 2014, respectively.

Compensated Absences Payable
Compensated absences payable represents amounts accrued for vacation pay. Vacation time that has not been used by an employee is paid out upon termination of employment.

Reclassifications
Reclassifications were made to the 2014 consolidated financial statements to conform to the 2015 presentation.

3. Program Receivables

At June 30, 2015 and 2014, program receivables amounted to approximately $6.5 million and $4.7 million (net of allowance for uncollectible amounts of approximately $67,000 in each year).

4. Pledges Receivable

Pledges receivable at June 30, 2015 are approximately $4.1 million (net of allowance for uncollectible amounts and discount to present value with a 3% imputed interest rate of approximately $379,000); and $3.3 million (net of allowance for uncollectible amounts and discount to present value with a 3% imputed interest rate of approximately $377,000) at June 30, 2014. Approximately $3.3 million is expected to be collected in less than one year and approximately $800,000 is expected to be collected within one to five years.

5. Grants Receivable

At June 30, 2015 and 2014, grants receivable collectible in one year amounted to approximately $1.3 million and $2.1 million, respectively. No allowance for doubtful accounts is required.

6. Investments

Authoritative guidance clarifies the definition of fair value, prescribes methods for measuring fair value, expands disclosure about the use of fair value measurements and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three levels. The following table presents the financial assets of the Agency that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy's three levels based on the reliability of the inputs used to determine fair value are as follows: Level 1 consisting of quoted prices in active markets for identical assets; Level 2 consisting of significant other observable inputs; and Level 3 consisting of significant unobservable inputs.

Investments consist of the following:

		Fair Value Measurements at June 30, 2015		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - equities	$ 333,695	$ 333,695	$ -	$ -
U.S. Government and agency debt securities	171,852	-	171,852	-
Investments - private company	253,565	-	-	253,565
Bank money market funds	127,601	127,601	-	-
	$ 886,713	$ 461,296	$ 171,852	$ 253,565

		Fair Value Measurements at June 30, 2014		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - equities	$ 319,720	$ 319,720	$ -	$ -
U.S. Government and agency debt securities	167,665	-	167,665	-
Investments - private companies	173,565	-	-	173,565
Bank money market funds	146,446	146,446	-	-
	$ 807,396	$ 466,166	$ 167,665	$ 173,565

Investments in private companies which are classified as Level 3 assets represent Ohel's minority investment in two managed care companies.

Changes in Level 3 assets using significant unobservable inputs measured at fair value are as follows:

	Partnership Interest
Beginning balance - June 30, 2014	$ 173,565
Additions	80,000
Ending balance - June 30, 2015	$ 253,565

7. Property and Equipment

Property and equipment consists of the following as of June 30:

	2015	2014
Land	$ 5,173,198	$ 5,173,198
Building and improvements	34,683,173	40,074,165
Leasehold improvements	5,874,149	5,763,505
Furniture and fixtures	8,814,359	7,925,492
Construction-in-progress	13,732,946	199,168
	68,277,825	59,135,528
Less: accumulated depreciation	20,358,660	22,358,216
	$ 47,919,165	$ 36,777,312

The June 30, 2015 consolidated statement of activities and changes in net assets results includes the gain on sale of the Agency's main office building of approximately $9.3 million. The Agency utilized the funds from the sale to purchase a building that will serve as the Agency's regional center in the future and will consolidate various diverse operations and locations within the center. The regional center building is being renovated and the Agency has obtained a construction loan to fund the building phase. Construction-in-process includes costs of approximately $3,420,000 for the renovation and construction of the new regional center. Interest expense capitalized into construction-in-process was approximately $364,000. Construction is contemplated to be completed by September 30, 2016.

Construction-in-progress in the amount of approximately $1,377,000 at June 30, 2015 represents amounts incurred for renovations for new projects and locations that will be put in service during the fiscal year ending June 30, 2016 and approximately $735,000 for the rebuilding of one property damaged by Super Storm Sandy that was put in service in August 2015.

8. Charitable Gift Annuity Trust

The Agency was identified as a beneficiary in two $100,000 annuity trusts as of June 30, 2015. Under conditions of the trust agreement, the donor retained the right to receive annuity distributions during the donor's lifetime. The payments ceased during the fiscal year ended June 30, 2015. The liability to the donor at June 30, 2014 included in accounts payable and accrued expenses is measured at the present value of the expected future cash flows to be paid to the donor, amounting to approximately $63,000. An actuarial loss of approximately $27,000 was incurred during the year ended June 30, 2015 as the actual cash payments to the donor have exceeded $63,000. The present value of the liability was calculated using a discount rate of 8% and applicable mortality table. Upon the death of the donor, the net proceeds of the trust to the Agency were less than the recorded book net value of approximately $12,000 has been recorded within other income.

9. Bank Lines of Credit Payable

The Agency has a bank revolving line of credit agreement expiring April 30, 2016, under the terms of which it may borrow up to $3,000,000 with interest at 0.5% above the bank's prime rate (prime was 3.25% at June 30, 2015) with a minimum rate of 5.0%. The Agency had outstanding approximately $2,500,000 of the line at June 30, 2015 of which $1,500,000 was repaid on July 1, 2015.

The Agency had a bank revolving line of credit agreement which expired July 3, 2015, under the terms of which it may borrow up to $6,000,000 with interest at 0.5% above the bank's prime rate (prime was 3.25% at June 30, 2015) with a minimum rate of 5.0%. The Agency had outstanding $6,000,000 of the line at June 30, 2015. On July 1, 2015, $6,000,000 was repaid. The line of credit was not renewed.

10. Mortgages and Bonds Payable

Unless otherwise specified, mortgages and bonds payable are secured by property and security interests in all fixtures, furnishings and equipment. Mortgages and bonds payable consist of the following as of June 30,:

	2015	2014
IDA Bond Payable – Series 2004 A-1 consists of annual installments including interest at an average coupon rate of 4.05% through 2016.	$ 225,000	$ 285,000
Mortgage payable - Facilities Development Corporation ("FDC") consists of semi-annual installments of $63,700 including interest at 8.9% through 2017.	242,203	341,379
Mortgage payable - Dormitory Authority of the State of New York ("DASNY") consists of annual installments of principal and semi-annual installments of interest at 2% to 5% through July 2026.	5,325,000	5,505,000
Mortgage payable – Marty and Dorothy Silverman Foundation consists of quarterly interest only payments at 3% above prime, currently 6.25%, due September 30, 2017.	4,600,000	-
Mortgage payable – FJC consists of quarterly interest only payments at 3% above prime, currently 6.25%, due September 30, 2017.	4,000,000	-
Mortgage payable - DASNY consists of annual installments of principal and semi-annual installments of interest at 1.0% through July 2016.	-	270,000
Mortgage payable - DASNY consists of semi-annual installments of $74,032 including interest at 5.23% through 2022.	908,943	1,005,668

Bank mortgages payable held by affiliate (Etta) consists of monthly installments with fixed interest rates of 3.0% through May 2022.	301,168	360,338
Bank mortgage payable held by affiliate (Etta) consists of monthly installments with fixed interest rates of 6.0% through January 2015, then 5 year LIBOR swap +3.25% with a 6.0% floor due January 2040.	678,030	689,707
Bank mortgages payable – consists of monthly installments with fixed interest rates ranging from 4.875% to 8.5% through September 2024.	1,316,406	4,243,826
	$ 17,596,750	$ 12,700,918

The annual maturities of mortgages and bonds payable for each of the next five years and thereafter are as follows:

Years Ending June 30,	
2016	$ 1,266,763
2017	1,052,633
2018	9,501,694
2019	884,199
2020	831,001
Thereafter	4,060,460
Total	$ 17,596,750

The mortgages with the FDC and DASNY effectively assign or collateralize the revenue of the underlying property as well as the property and all equipment or improvements made and restrict the use of property.

11. Notes Payable

Notes payable represent general operational loans.

Notes payable consist of the following as of June 30,:

	2015	2014
Note payable – third party, interest only payable semiannually at 6.5% with principal due February 28, 2020.	$ 650,000	$ 650,000
Note payable – third party, interest only payable semiannually at 4.25% with principal due June 20, 2021.	500,000	500,000

Note payable – bank acquisition loan for equipment secured by receivable for equipment acquisition grant consists of interest payments only at 5.50% per annum due January 31, 2016.	400,000	635,378
Note payable – finance company, interest only payable in monthly installments at 3% above prime (prime was 3.25% at June 30, 2014) with principal due on August 31, 2015. (Repaid in full July 2014).	-	475,000
Note payable – bank acquisition loan consists of equal monthly principal installments of $4,722 interest at 5.25% maturing March 1, 2016.	43,042	99,706
Note payable – bank acquisition loan consists of monthly principal installments of $8,334 plus interest at 7% maturing September 30, 2014.	-	23,613
Loan payable to a related party, 0% interest, unsecured, payable in installments of $2,000 until paid, due August 2018.	52,000	76,000
Loans payable to related parties, no interest, unsecured, due on demand.	325,000	50,000
Loan payable to private party, no interest, unsecured, due on demand.	10,000	10,000
Loan payable to a related party, 0% interest, unsecured, payable in installments of $3,000, due December 2015.	18,000	54,000
Loan payable to a related party, 0% interest, unsecured, payable in a single balloon payment due January 2015.	-	50,619
Loan payable to a related party, 0% interest, unsecured, due November 2014.	-	12,500
Loan payable to Disability Opportunity Fund, fixed rate installment note, 6.5% interest, unsecured, guaranteed by third party, payable in interest-only installments through January 2012, and installments of $105 from February 2012 through December 2014, and a balloon payment of $16,288 in January 2015.	-	16,918

Loan payable to Honda Financial Services, financing installment note, 1.9% interest, secured by an automobile costing $37,819 payable in installments of $662 until paid, due May 2017.	14,355	21,944
Loan payable to Honda Financial Services, financing installment note, 0.9% interest, secured by an automobile costing $38,005, payable in installments of $222 until paid, due June 2017.	5,270	7,872
Total notes payable	$ 2,017,667	$ 2,683,550

The annual maturities of notes payable are as follows:

Years Ending June 30,	
2016	$ 380,648
2017	433,019
2018	4,000
2019	-
2020	650,000
Thereafter	550,000
Total	$ 2,017,667

12. Capital Lease Obligations Payable

Furniture and equipment capitalized pursuant to capital lease agreements amounted to $469,087 and $154,099 at June 30, 2015 and 2014, respectively. The related future minimum annual lease payments at June 30, 2015 are approximately as follows:

Years Ending June 30,	Total Amount	Principal Portion of Future Lease Payments
2016	$ 134,984	$ 121,806
2017	151,762	136,740
2018	105,901	93,748
2019	76,440	67,207
Total payments	469,087	
Less amounts representing interest (with imputed rates of approximately 3.43%-5.85%)	49,586	
Principal portion of future lease payments	$ 419,501	

13. Due to Governmental Agencies

Due to governmental agencies in the amount of $5,520,916 and $2,815,707 at June 30, 2015 and 2014, respectively, consists of the following:

Amounts due to the Office of Mental Health from excess Medicaid and contract revenue at June 30, 2015 and 2014 were approximately $1,432,000 and $1,209,000, respectively. Approximately, $230,000 and $221,000 at June 30, 2015 and 2014, respectively, relates to an industry issue that has been litigated and the Office of Mental Health is being repaid via monthly withholds through the normal course of contract reconciliations for excess amounts paid to providers in current and prior years. The balance of approximately $1,202,000 and $988,000 at June 30, 2015 and 2014, respectively, represents advances and payments that will be repaid through the normal course of contract reconciliations.

At June 30, 2015 and 2014, amounts due to the Office for People with Developmental Disabilities ("OPWDD") of approximately $3,978,000 and $1,561,000 at June 30, 2015 and 2014, respectively, consists of overpayments by OPWDD due to governmental delays in uploading the OPWDD payment system and are not a result of any overbillings by the Agency to OPWDD. These amounts will be repaid through rate recoupment through January 31, 2016.

At June 30, 2015 and 2014, amounts due to the Office for People With Developmental Disabilities ("OPWDD") of approximately $111,000 and $46,000, respectively, consist of advances to fund program services, renovation, construction and periodic maintenance. The amounts will be repaid through rate recoupment.

14. Related Parties

The Lifetime Care Foundation for Jewish Disabled, Inc. ("Lifetime"), a related party, prepaid expenses for services rendered by Ohel to Lifetime Care in the ordinary course of business, of approximately $20,000 and $125,000 at June 30, 2015 and 2014, respectively, is included in accounts payable and accrued expenses. Ohel and Lifetime are related due to overlapping board members and management.

15. Commitments and Contingencies

Government Funding
Pursuant to the Agency's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of the Agency involving transactions relating to these contracts. The accompanying consolidated financial statements make no provisions for possible disallowance.

In addition, certain agreements provide that some property and equipment owned by the Agency must be utilized by the Agency to continue owning these assets.

Real Property and Equipment Leases
The Agency is obligated, pursuant to various operating lease agreements for future minimum annual real property and equipment lease payments for the years ending, as indicated below. Rent and equipment lease expense for the years ended June 30, 2015 and 2014 amounted to approximately $4,500,000 and $3,600,000, respectively.

The Agency rents certain property to tenants on a month-to-month basis. For the years ended June 30, 2015 and 2014, rental income was approximately $285,000 and $351,000, respectively, and is included in rental and other income in the statement of activities.

Rent commitments for the next five years and thereafter are as follows:

Years Ending June 30,	Total	Real Property	Equipment
2016	$ 2,729,538	$ 2,514,997	$ 214,541
2017	1,816,778	1,700,220	116,558
2018	1,089,426	1,072,525	16,901
2019	903,582	899,130	4,452
2020	822,792	821,868	924
Thereafter	2,125,943	2,125,915	28
Total	$ 9,488,059	$ 9,134,655	$ 353,404

Litigation
The Agency is a party to various claims that arise in the ordinary course of business. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of outstanding claims will not have a material adverse effect on the Agency's financial position or results of operations.

16. Endowment

The Agency's endowment includes a donor-restricted endowment fund which consists of one individual fund established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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

(1) The duration and preservation of the fund
(2) The purpose of the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Agency
(7) Where appropriate and circumstances would otherwise allow alternatives to expending of the endowment fund, given due consideration for the effect that such alternatives may have on the Agency; and
(8) The investment policies of the Agency. The Agency has determined that the earnings on the investments are available for programmatic spending.

Changes in Endowment Net Assets for the Year Ended June 30, 2015 were approximately as follows:

	Donor-Restricted Endowment Funds
Endowment net assets, beginning of year	$ 614,943
Contributions to endowment	1,780
Investment return:	
Interest and dividend income	12,827
Capital gains	12,868
Unrealized loss	(8,297)
Appropriation of endowment assets for expenditure	(973)
Endowment net assets, end of year	$ 633,148

Changes in Endowment Net Assets for the Year Ended June 30, 2014 were approximately as follows:

	Donor-Restricted Endowment Funds
Endowment net assets, beginning of year	$ 557,110
Contributions to endowment	4,220
Investment return:	
Interest and dividend income	34,219
Capital gains	-
Unrealized gains	19,394
Appropriation of endowment assets for expenditure	-
Endowment net assets, end of year	$ 614,943

17. Pension Plan

Ohel has a noncontributory defined benefit plan for all eligible employees. Benefits are based upon years of service and compensation. Prior to the June 30, 2007 fiscal year end, the Board of Directors adopted a resolution to curtail benefit accruals as of December 31, 2007.

A summary of Ohel's pension plan cost, employer contributions and benefits paid for the years ended June 30, is as follows:

	2015	2014
Net periodic pension costs	$ (179,301)	$ 25,563
Employer contributions	$ 400,000	$ 250,000
Benefits paid	$ 559,249	$ 201,030

The measurement of the net periodic pension cost for the years ended June 30, is based on the following assumptions:

	2015	2014
Weighted-average discount rate	3.75%	4.00%
Weighted-average expected long-term rate of return on plan assets	7.50%	7.50%

The measurement of the benefit obligation at June 30, is based on the following assumptions:

	2015	2014
Discount rate	3.75%	3.75%
Rate of compensation increase	N/A	N/A

The Expected Long-Term Rate of Return on Plan Assets Assumption of 7.50% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection of Economic Assumptions for Measuring Pension Obligations. Based on Ohel's investment allocation for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30 year period rolling averages. An average inflation rate within the range equal to 3.75% was selected and added to the real rate of return range to arrive at a best estimate range of 6.40%-8.63%. A rate of 7.50% which is within the best estimate range was selected.

The funded status of Ohel's pension plan and the amounts reflected in the accompanying statement of financial position are as follows:

	2015	2014
Benefit obligation	$ 14,056,291	$ 14,041,425
Fair value of plan assets (primarily consisting of debt and equity securities)	12,393,971	12,168,620
Unfunded pension obligation	$ 1,662,320	$ 1,872,805
Accumulated benefit obligation	$ 14,056,291	$ 14,041,425

Benefit payments are expected to be paid as follows:

Years Ending June 30,	
2016	$ 3,623,000
2017	902,000
2018	983,000
2019	834,000
2020	903,000
2021-2025	3,880,000
	$ 11,125,000

Ohel's best estimate of their expected contribution to the plan for the year ending June 30, 2015 is $350,000.

The amounts represented on the line, pension related credits, other than net periodic costs within the statement of activities for the years ended June 30, 2015 and 2014 is comprised of assumption changes, actuarial losses and investment return adjustments. These amounts are not yet reflected in net periodic benefit cost.

The composition of Plan assets at June 30 is as follows:

	2015	2014
Equity	54.10%	52.40%
Fixed income	16.40%	16.40%
Cash and cash equivalents	29.50%	31.20%
	100.00%	100.00%

Pension plan assets are managed and invested by Mutual of America Capital Management Corporation. Contributions are invested predominantly in pooled investment funds, which offer the advantages of diversification and economics of scale. The investment guidelines allow for two asset classes, common stock and fixed income. The allowable range for each asset class is 40%-60%.

Fair Value Measurement
The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. Valuation techniques used to measure fair value are defined as follows:

- Level 1 –- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

- Level 2 – Inputs to the valuation methodology include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the assets or liabilities; and (d) 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.

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, 2015 and 2014:

- General Interest Accumulation Account: Valued at fair market value.
- Pooled Separate Accounts: Valued at fair market value of the underlying assets which represent the pooled accounts.

Assets at fair value as of June 30, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
General interest accumulated account	$ -	$ 3,656,105	$ -	$ 3,656,105
Pooled separate accounts	-	8,737,866	-	8,737,866
Totaled assets at fair value	$ -	$ 12,393,971	$ -	$ 12,393,971

Assets at fair value as of June 30, 2014 are as follows:

	Level 1	Level 2	Level 3	Total
General interest accumulated account	$ -	$ 3,799,880	$ -	$ 3,799,880
Pooled separate accounts	-	8,368,740	-	8,368,740
Totaled assets at fair value	$ -	$ 12,168,620	$ -	$ 12,168,620

Voluntary Tax Deferred Retirement Savings
Ohel and Camp Ohel have established a voluntary tax deferred retirement savings plan available for their employees under Section 403(b) of the Internal Revenue Code. All employees of Ohel and Camp Ohel are eligible to participate and contribute a portion of their gross salaries up to the federal limit of $16,500 annually. Employer matching contributions are not provided for under this plan; however, eligible employees receive employer base contributions. There is no minimum age requirement to receive employer base contributions, however, employees must complete at least one year of service (a minimum of 1,000 hours of service in a twelve-month period) to receive employer base contributions under this plan. Once eligible, an employee remains eligible.

Ohel contributes 2% of salary for all eligible employees with less than fifteen years of service and 3% of salary for employees with fifteen years or more of service. The value of an individual's account attributable to employer contributions vests as follows:

- Less than two years of service 0%
- 2 years of service 20%
- 3 years of service 40%
- 4 years of service 60%
- 5 or more years of service 100%

Contributions to the plan were made by Ohel or Camp Ohel in the amount of approximately $500,000 and $200,000, for the years ended June 30, 2015 and 2014, respectively. Employer contributions were suspended for the period April 1, 2011 through December 31, 2013 and have been suspended for the fiscal year beginning July 1, 2015.

18. Income Taxes

Ohel and Camp Ohel are organized under the not-for-profit corporation law of the State of New York, and both have been granted their respective exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Ohel and Camp Ohel are each current with respect to their Federal and State income tax filing requirements. Etta is organized under Section 237019(d) of the California Revenue and Taxation Code and has been granted exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any issues or circumstances that would unfavorably impact the tax exempt status of either of the three entities. Management has determined that the Agency had no uncertain tax positions that would require financial statement recognition. The Agency is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to June 30, 2012.

19. Subsequent Events

The Agency has evaluated subsequent events through November 25, 2015, the date the consolidated financial statements were available for issuance and determined that there are no significant events other than those disclosed elsewhere in these consolidated financial statements.

Independent Auditors' Report on Supplementary Information

To the Board of Directors
Ohel Children's Home and Family Services, Inc. and Affiliates

We have audited the consolidated financial statements of Ohel Children's Home and Family Services, Inc. and Affiliates as of and for the year ended June 30, 2015, and have issued our report thereon dated November 25, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 31 through 33 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

WeiserMazars LLP

November 25, 2015

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidating Statement of Financial Position

June 30, 2015

	2015				
	Ohel	Camp Ohel	Etta Israel	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 11,674,047	$ 524,513	$ 17,701	$ -	$ 12,216,261
Program receivables	6,414,909	17,009	145,584	(75,000)	6,502,502
Pledges receivable	3,318,397	542,631	417,516	(215,080)	4,063,464
Grants receivable	829,334	-	456,135	-	1,285,469
Investments	886,713	-	-	-	886,713
Investment in Etta	46,212	-	-	(46,212)	-
Other receivables	62,820	-	-	-	62,820
Property and equipment, net of accumulated depreciation	45,763,944	260,135	1,895,086	-	47,919,165
Client custodial funds	468,039	-	-	-	468,039
Prepaid expenses and other assets	536,264	45,115	40,394	-	621,773
Debt reserve funds	524,565	-	-	-	524,565
Due from Camp Ohel and Etta	5,351,571	-	-	(5,351,571)	-
Total assets	$ 75,876,815	$ 1,389,403	$ 2,972,416	$ (5,687,863)	$ 74,550,771
Liabilities and Net Assets					
Bank lines of credit payable	$ 8,500,000	$ -	$ -	$ -	$ 8,500,000
Accounts payable and accrued expenses	2,016,554	161,430	444,956	(290,080)	2,332,860
Accrued salaries and fringes	2,421,147	24,800	140,061	-	2,586,008
Mortgages and bonds payable	16,617,552	-	979,198	-	17,596,750
Notes payable	1,593,042	-	424,625	-	2,017,667
Capital lease obligations payable	469,087	-	-	-	469,087
Due to governmental agencies	5,520,916	-	-	-	5,520,916
Client custodial funds	468,039	-	-	-	468,039
Deferred revenue	773,109	827,147	-	-	1,600,256
Compensated absences payable	1,132,851	-	41,364	-	1,174,215
Unfunded pension obligation	1,662,320	-	-	-	1,662,320
Advances from Ohel	-	4,455,571	896,000	(5,351,571)	-
Total liabilities	41,174,617	5,468,948	2,926,204	(5,641,651)	43,928,118
Commitments and contingencies					
Unrestricted net assets (deficit):					
Undesignated	22,198,566	(4,462,069)	(516,447)	516,447	17,736,497
Board designated	10,147,861	-	-	-	10,147,861
Temporarily restricted	1,722,623	382,524	562,659	(562,659)	2,105,147
Permanently restricted	633,148	-	-	-	633,148
Total net assets	34,702,198	(4,079,545)	46,212	(46,212)	30,622,653
Total liabilities and net assets	$ 75,876,815	$ 1,389,403	$ 2,972,416	$ (5,687,863)	$ 74,550,771

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2015

	Ohel				Camp Ohel			Etta Israel				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Eliminations	Consolidated
Revenue												
Program service fees	$ 51,437,895	$ -	$ -	$ 51,437,895	$ 1,193,345	$ -	$ 1,193,345	$ 1,202,012	$ -	$ 1,202,012	$ -	$ 53,833,252
Contributions and operating grants	3,253,333	745,207	-	3,998,540	407,274	310,135	717,409	272,955	773,592	1,046,547	-	5,762,496
Contributions - capital campaign	2,045,500	-	-	2,045,500	-	-	-	-	-	-	-	2,045,500
Special events (less direct costs of $889,756)	1,335,865	-	-	1,335,865	-	-	-	493,089	-	493,089	-	1,828,954
Rental and other income, net	919,472	-	18,205	937,677	-	-	-	-	-	-	(245,538)	692,139
Net assets released from restrictions	790,626	(790,626)	-	-	415,712	(415,712)	-	885,836	(885,836)	-	-	-
Total revenue	59,782,691	(45,419)	18,205	59,755,477	2,016,331	(105,577)	1,910,754	2,853,892	(112,244)	2,741,648	(245,538)	64,162,341
Expenses												
Program	49,854,127	-	-	49,854,127	2,522,355	-	2,522,355	2,071,499	-	2,071,499	(245,538)	54,202,443
Fund raising	1,504,328	-	-	1,504,328	-	-	-	649,212	-	649,212	-	2,153,540
General and administrative	7,915,258	-	-	7,915,258	-	-	-	473,565	-	473,565	-	8,388,823
Total operating expenses	59,273,713	-	-	59,273,713	2,522,355	-	2,522,355	3,194,276	-	3,194,276	(245,538)	64,744,806
Change in net assets before other items	508,978	(45,419)	18,205	481,764	(506,024)	(105,577)	(611,601)	(340,384)	(112,244)	(452,628)	-	(582,465)
Other items												
Gain on sale of property	9,261,565	-	-	9,261,565	-	-	-	-	-	-	-	9,261,565
Loss incurred by Etta	(340,384)	(112,244)	-	(452,628)	-	-	-	-	-	-	452,628	-
Pension related expenses, other than net periodic costs	(368,816)	-	-	(368,816)	-	-	-	-	-	-	-	(368,816)
Increase (decrease) in net assets	9,061,343	(157,663)	18,205	8,921,885	(506,024)	(105,577)	(611,601)	(340,384)	(112,244)	(452,628)	452,628	8,310,284
Net assets (deficit)												
Beginning of year	23,285,084	1,880,286	614,943	25,780,313	(3,956,045)	488,101	(3,467,944)	(176,063)	674,903	498,840	(498,840)	22,312,369
End of year	$ 32,346,427	$ 1,722,623	$ 633,148	$ 34,702,198	$ (4,462,069)	$ 382,524	$ (4,079,545)	$ (516,447)	$ 562,659	$ 46,212	$ (46,212)	$ 30,622,653

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidating Statement of Functional Expenses

Year Ended June 30, 2015

	Ohel				Camp Ohel	Etta Israel					
	Program	Fund Raising	General and Administrative	Total	Program	Program	Fund Raising	General and Administrative	Total	Eliminations	Consolidated
Personal services	$ 27,011,521	$ 655,138	$ 3,767,280	$ 31,433,939	$ 851,242	$ 1,392,311	$ 408,241	$ 159,850	$ 1,960,402	$ -	$ 34,245,583
Payroll taxes and benefits	6,614,883	174,465	856,455	7,645,803	169,950	214,990	56,190	30,379	301,559	-	8,117,312
Rent	3,485,009	-	270,491	3,755,500	150,000	55,413	15,550	60,606	131,569	(150,000)	3,887,069
Depreciation	2,120,540	5,994	326,929	2,453,463	43,043	54,190	-	3,713	57,903	-	2,554,409
Food	1,711,421	21,235	19,577	1,752,233	242,702	118,108	9,935	11,946	139,989	-	2,134,924
Client expenses	1,843,715	-	-	1,843,715	247,737	24,668	8,822	-	33,490	-	2,124,942
Office expenses	542,138	333,347	86,282	961,767	79,458	46,435	59,216	6,065	111,716	-	1,152,941
Interest	344,635	-	281,270	625,905	-	55,469	504	7,277	63,250	-	689,155
Professional fees	399,782	40,429	672,736	1,112,947	7,671	30,087	57,803	133,571	221,461	-	1,342,079
Transportation	306,669	7,298	34,673	348,640	106,077	50,937	10,659	8,046	69,642	-	524,359
Utilities	586,055	-	146,023	732,078	94,181	-	-	-	-	-	826,259
Supplies	548,876	-	29,722	578,598	135,161	-	-	-	-	-	713,759
Communication	611,476	8,403	263,803	883,682	25,329	17,736	3,005	16,772	37,513	-	946,524
Technology	324,466	6,066	650,960	981,492	-	-	-	-	-	-	981,492
Equipment leasing	366,416	19,532	48,524	434,472	25,013	-	-	-	-	-	459,485
Repairs and maintenance	1,021,917	6,672	123,837	1,152,426	99,258	-	-	-	-	-	1,251,684
Medical expenses	418,624	-	-	418,624	-	-	-	-	-	-	418,624
Foster boarding fees	424,542	-	-	424,542	-	-	-	-	-	-	424,542
Bad debt expense	-	119,858	-	119,858	50,527	-	-	-	-	-	170,385
Management fee	-	-	-	-	95,538	-	-	-	-	(95,538)	-
Facility assessment	411,415	-	-	411,415	-	-	-	-	-	-	411,415
Insurance	421,833	-	169,658	591,491	60,521	4,141	79	31,050	35,270	-	687,282
Advertising	172,795	105,891	167,038	445,724	38,947	7,014	19,208	4,290	30,512	-	515,183
School expenses	165,399	-	-	165,399	-	-	-	-	-	-	165,399
Total expenses	$ 49,854,127	$ 1,504,328	$ 7,915,258	$ 59,273,713	$ 2,522,355	$ 2,071,499	$ 649,212	$ 473,565	$ 3,194,276	$ (245,538)	$ 64,744,806

The accompanying notes are an integral part of these financial statements.

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Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Financial Statements
June 30, 2014 and 2013

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Independent Auditors' Report

To the Board of Directors
Ohel Children's Home and Family Services, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Ohel Children's Home and Family Services, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, 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 financial position of Ohel Children's Home and Family Services, Inc. and Affiliates as of June 30, 2014 and 2013, 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.

WeiserMazars LLP

November 26, 2014

WEISERMAZARS LLP
135 WEST 50TH STREET – NEW YORK, NEW YORK – 10020
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Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statements of Financial Position

June 30, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 7,849,589	$ 8,133,070
Program receivables	4,716,095	5,245,976
Pledges receivable	3,297,246	2,918,566
Grants receivable	2,126,473	3,286,188
Investments	807,396	701,559
Other receivables	11,353	143,292
Property and equipment, net of accumulated depreciation	36,777,312	37,993,096
Property held for sale	-	1,114,468
Client custodial funds	464,588	456,545
Prepaid expenses and other assets	987,455	436,166
Debt reserve funds	533,814	299,159
Total assets	$ 57,571,321	$ 60,728,085
Liabilities and Net Assets		
Bank lines of credit payable	$ 8,826,515	$ 9,000,000
Accounts payable and accrued expenses	2,292,716	4,024,466
Accrued salaries and fringes	2,506,870	2,719,569
Mortgages and bonds payable	12,700,918	12,100,333
Notes payable	2,683,550	5,498,212
Capital lease obligations payable	154,099	204,098
Due to governmental agencies	1,255,343	1,187,793
Client custodial funds	464,588	456,545
Deferred revenue	1,362,718	987,151
Compensated absences payable	1,138,830	1,138,110
Unfunded pension obligation	1,872,805	2,798,778
Total liabilities	35,258,952	40,115,055
Commitments and contingencies		
Unrestricted net assets:		
Undesignated	9,092,713	7,965,584
Board designated	10,317,722	10,483,771
Temporarily restricted	2,286,991	1,606,565
Permanently restricted	614,943	557,110
Total net assets	22,312,369	20,613,030
Total liabilities and net assets	$ 57,571,321	$ 60,728,085

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Program service fees	$ 52,442,600	$ -	$ -	$ 52,442,600
Contributions and operating grants	3,702,473	2,128,570	4,220	5,835,263
Special events (less direct costs of $858,831)	1,494,554	-	-	1,494,554
Rental and other income, net	468,464	(26,997)	53,613	495,080
Net assets released from restrictions	1,339,751	(1,339,751)	-	-
Total revenue	59,447,842	761,822	57,833	60,267,497
Expenses				
Program	51,495,709	-	-	51,495,709
Fund raising	1,428,698	-	-	1,428,698
General and administrative	7,538,028	-	-	7,538,028
Total operating expenses	60,462,435	-	-	60,462,435
Change in net assets before other items	(1,014,593)	761,822	57,833	(194,938)
Other items				
Gain on sale of property	1,192,741	-	-	1,192,741
Pension related credits, other than net periodic costs	701,536	-	-	701,536
Increase in net assets	879,684	761,822	57,833	1,699,339
Net assets				
Beginning of year	18,449,355	1,606,565	557,110	20,613,030
End of year	$ 19,329,039	$ 2,368,387	$ 614,943	$ 22,312,369

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Program service fees	$ 48,330,593	$ -	$ -	$ 48,330,593
Contributions and operating grants	5,262,487	1,100,356	-	6,362,843
Special events (less direct costs of $758,833)	1,478,951	-	-	1,478,951
Rental and other income, net	296,576	(26,571)	26,582	296,587
Net assets released from restrictions	1,802,026	(1,802,026)	-	-
Total revenue	57,170,633	(728,241)	26,582	56,468,974
Expenses				
Program	46,754,887	-	-	46,754,887
Fund raising	1,436,219	-	-	1,436,219
General and administrative	7,751,868	-	-	7,751,868
Total operating expenses	55,942,974	-	-	55,942,974
Change in net assets before other items	1,227,659	(728,241)	26,582	526,000
Other items				
Hurricane Sandy	(455,459)	350,000	-	(105,459)
Assets acquired over liabilities assumed	623,872	593,507	-	1,217,379
Pension related credits, other than net periodic costs	533,248	-	-	533,248
Increase in net assets	1,929,320	215,266	26,582	2,171,168
Net assets				
Beginning of year	16,520,035	1,391,299	530,528	18,441,862
End of year	$ 18,449,355	$ 1,606,565	$ 557,110	$ 20,613,030

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statements of Functional Expenses

Years Ended June 30, 2014 and 2013

	Program	Fundraising	General and Administrative	2014 Total	2013 Total
Personal services	$ 27,310,414	$ 778,102	$ 3,584,389	$ 31,672,905	$ 29,732,004
Payroll taxes and benefits	6,201,495	155,712	961,902	7,319,109	6,588,241
Rent	3,154,260	5,310	31,933	3,191,503	2,846,927
Depreciation	2,188,846	7,075	352,974	2,548,895	2,317,459
Food	1,801,081	26,225	35,242	1,862,548	1,691,104
Client expenses	2,425,848	1,454	335	2,427,637	2,368,148
Office expenses	816,041	307,758	537,969	1,661,768	1,304,461
Interest	908,244	-	319,902	1,228,146	1,090,181
Professional fees	329,365	83,993	715,203	1,128,561	855,551
Transportation	394,119	7,317	38,146	439,582	396,910
Utilities	710,781	194	130,928	841,903	829,963
Supplies	872,441	1,383	61,354	935,178	734,701
Communication	692,307	13,630	301,967	1,007,904	1,024,160
Equipment leasing	380,199	8,752	50,521	439,472	537,973
Repairs and maintenance	1,109,197	6,449	150,183	1,265,829	813,828
Medical expenses	327,583	-	-	327,583	335,675
Foster boarding fees	431,155	-	-	431,155	501,128
Grants	-	-	-	-	69,860
Facility assessment	478,835	-	-	478,835	618,634
Insurance	598,098	3,538	171,459	773,095	649,951
Advertising	179,180	21,806	93,621	294,607	378,223
School expenses	186,220	-	-	186,220	257,892
Total expenses	$ 51,495,709	$ 1,428,698	$ 7,538,028	$ 60,462,435	$ 55,942,974

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2013

	Program	Fund Raising	General and Administrative	2013 Total
Personal services	$ 25,394,849	$ 786,884	$ 3,550,271	$ 29,732,004
Payroll taxes and benefits	5,605,660	152,505	830,076	6,588,241
Rent	2,731,529	-	115,398	2,846,927
Depreciation	1,546,837	6,201	764,421	2,317,459
Food	1,647,163	12,076	31,865	1,691,104
Client expenses	2,365,574	-	2,574	2,368,148
Office expenses	629,677	306,297	368,487	1,304,461
Interest	727,151	-	363,030	1,090,181
Professional fees	203,833	61,266	590,452	855,551
Transportation	353,322	10,949	32,639	396,910
Utilities	693,466	2,455	134,042	829,963
Supplies	652,809	6,359	75,533	734,701
Communication	541,024	15,771	467,365	1,024,160
Equipment leasing	459,938	21,306	56,729	537,973
Repairs and maintenance	745,974	5,919	61,935	813,828
Medical expenses	285,635	-	50,040	335,675
Foster boarding fees	501,128	-	-	501,128
Grants	69,860	-	-	69,860
Facility assessment	618,634	-	-	618,634
Insurance	511,496	2,741	135,714	649,951
Advertising	211,436	45,490	121,297	378,223
School expenses	257,892	-	-	257,892
Total expenses	$ 46,754,887	$ 1,436,219	$ 7,751,868	$ 55,942,974

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 1,699,339	$ 2,171,168
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,679,618	2,449,955
Assets acquired over liabilities assumed	-	(1,143,121)
Pension related credits, other than net periodic costs	(701,536)	(533,248)
Impairment on property Hurricane Sandy	-	957,369
Unrealized gain on investments	(26,194)	(20,284)
Gain on sale of property	(1,192,741)	-
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Program receivables	529,881	(1,348,257)
Pledges receivable	(378,680)	124,384
Grants receivable	1,159,715	(701,455)
Other receivables	131,939	83,002
Prepaid expenses and other assets	(551,289)	(27,686)
Accounts payable and accrued expenses	(1,731,750)	1,587,085
Accrued salaries and fringes	(212,699)	(752,611)
Deferred revenue	375,567	428,183
Compensated absences payable	720	51,633
Net proceeds from governmental agencies	67,550	(36,463)
Unfunded pension liability	(224,437)	(137,078)
Net cash provided by operating activities	1,625,003	3,152,576
Cash flows from investing activities		
Property and equipment acquisitions	(1,463,834)	(3,933,815)
Proceeds from property held for resale	2,307,209	225,000
Purchase of investments	(79,643)	(53,292)
Net cash provided by (used in) investing activities	763,732	(3,762,107)
Cash flows from financing activities		
(Deposits to) utilization of debt reserve funds	(234,655)	731,535
(Payments of) proceeds from bank line of credit - net	(173,485)	232,000
Proceeds from refinanced mortgage	5,775,000	3,100,000
Repayment of mortgages payable	(5,174,415)	(4,059,238)
Proceeds from notes payable	784,000	86,522
Repayment of notes payable	(3,598,662)	(700,784)
Repayments of capital lease obligations	(49,999)	170,334
Net cash used in financing activities	(2,672,216)	(439,631)
Net decrease in cash and cash equivalents	(283,481)	(1,049,162)
Cash and cash equivalents		
Beginning	8,133,070	9,182,232
Ending	$ 7,849,589	$ 8,133,070
Supplementary disclosure of cash flow information		
Cash paid during the year for interest	$ 1,191,331	$ 1,177,439
Supplementary disclosure of noncash activities		
Net assets acquired through the Etta acquisition		
Cash and cash equivalents		$ 74,258
Program receivables		70,250
Pledges receivable		289,705
Grants receivable		210,000
Property and equipment		2,395,011
Prepaid expenses and other assets		35,758
Accounts payable and accrued expenses		(296,233)
Mortgages payable		(1,171,114)
Notes payable		(390,256)
		1,143,121
Assets acquired over liabilities assumed		$ 1,217,379

The accompanying notes are an integral part of these financial statements.

1. Organization and Purpose

The accompanying consolidated financial statements include the accounts of Ohel Children's Home and Family Services, Inc. ("Ohel"), and its member companies; Camp Ohel, Inc. d.b.a. Camp Kaylie ("Camp Ohel" or "Camp Kaylie") and The Tikvah Etta and Lazear Israel Center for the Developmentally Disabled, d.b.a Etta Israel Center ("Etta"), collectively, the "Agency".

Ohel is organized under the not-for-profit corporation law of the State of New York. Ohel was established to provide services for the care of destitute, abandoned, dependent, neglected and emotionally disturbed children and adults, and has been granted an exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

In the ensuing years, Ohel has significantly expanded and operated residential facilities to provide care and treatment for developmentally and physically disabled children and adults in the metropolitan New York area. In addition, Ohel operates other non-residential programs such as outpatient clinics, day programs, family support camp, specialized treatment services, and crisis intervention. Ohel receives its support predominantly from Federal, New York State and City governmental sources as well as from private contributions.

In March 2010, Ohel expanded its services when the Board of Directors approved the purchase of a camp site in the Sullivan County area of New York. The purchase price and subsequent renovations to existing buildings and the construction of a gym, activities center and additional housing in the amount of approximately $11,500,000 were fully funded via grants and charitable contributions. Approximately $853,000 of improvements have been funded by Ohel through earned surplus. The camp grounds and respective buildings are currently owned by Ohel.

Camp Ohel was incorporated July 16, 2008 as a New York not-for-profit corporation for the primary objective of developing and operating a fully integrated summer camp for children with and without developmental disabilities, and has been granted an exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Ohel is the sole member of Camp Ohel. Camp Kaylie also is utilized to provide respite opportunities to parents and family members with children who have disabilities. It is also available for rental to community groups.

Camp Ohel Realty Corporation ("Realty") was incorporated July 24, 2008 as a New York not-for-profit corporation for the sole purpose of holding title to real property to be used exclusively to support the charitable and education purposes of its sole member, Camp Ohel, and has been granted an exemption from Federal income tax pursuant to Section 501(c)(2) of the Internal Revenue Code. It is anticipated that Ohel will transfer all camp real estate to Realty during fiscal year ending June 30, 2015. Realty had no operations during the fiscal years ended June 30, 2014 and 2013.

On September 18, 2012, Ohel, with the approval of each agency's respective Board of Directors, and the California Secretary of State, became the sole member of Etta. Etta is organized under Section 23701(d) of the California Revenue and Taxation Code and has been granted exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

The acquisition of Etta is reflected in the consolidated statement of activities and changes in net assets for the year ended June 30, 2013, as assets acquired over liabilities assumed. The fair market value of Etta's net assets acquired at the date of acquisition was approximately $1.2 million. No cash or other consideration was transferred in the transaction. Etta's revenues and expenses from the date of acquisition through June 30, 2013 are consolidated with the results of operations of Ohel and Camp Ohel.

Ohel provides:

- Outpatient and residential services for children, adolescents and adults with developmental and psychiatric disabilities;
- Day habilitation services as well as comprehensive outpatient programs including respite, in home services and family support;
- Outpatient psychological and psychiatric evaluations and treatment for children, adults and families (treatment is also available for homebound individuals);
- Psychiatric day programs in a beautiful environment for adults with mental illness to socialize, work, study or have lunch with friends;
- In-home crisis assessment and referrals to individuals and families experiencing psychiatric, psychological or behavioral crisis;
- Foster care programs and caring for children suffering from abuse or neglect by placing them with loving and caring certified foster families;
- Day camps and overnight camps for children and young adults with psychiatric and developmental disabilities;
- The Mel & Phyllis Zachter OHEL Institute for Training provides dynamic trainings for the professional and lay communities featuring world-renowned experts. It offers cutting edge, problem-solving approaches to address a broad range of current mental health, education and social service concerns;
- Domestic Violence Program providing individualized counseling and support groups for women and children as well as temporary safe housing for victims of domestic violence, education to the community about this issue and the importance of providing options for women who are in abusive relationships;
- A program offering job preparation and placement for people with psychiatric and developmental disabilities;
- Confidential treatment by specially trained professionals for drug, alcohol, gambling and other addictions;
- Comprehensive preventive care services for families in need of crisis intervention and counseling.

Camp Kaylie's programs are specifically designed to address the unique and special needs and barriers that children with disabilities routinely encounter in a mainstream environment. Camp Kaylie's programs and specially trained staff focus on addressing the physical, emotional, and social skills, limitations and special needs of these children. The goals for Camp Kaylie are aimed at fostering skills development, self-confidence, socialization, independence, leadership and community responsibilities among children with disabilities.

A relatively unique but important aspect of Camp Kaylie's programs is the camper populate designed to include typically developing children (i.e., children without disabilities). The objective for integrating typically developing children with children with disabilities is aimed at enhancing the ability of children with disabilities to learn and develop skills and confidence in the least restrictive setting. Camp Kaylie's inclusion and integration concept will permit disabled and non-disabled siblings to attend camp together.

Etta serves the Los Angeles Community by offering direct care programs, such as group home residential facilities, supported living case management and coaching, social and recreational activities, special education classes, and counseling. Etta remains a California not-for-profit corporation with IRS 501(c)(3) status.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of the Agency have been prepared on the accrual basis.

Revenue

Program service fees represent the estimated net realizable amounts from third-party payors, clients and others for services rendered. Revenues derived under the third-party reimbursement programs are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment.

There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to funding source audit findings, additional monies available over and above original contract amounts and rate appeal results. Government funding source contracts may be subject to change during the course of a contract year. Additionally, contracts might be assigned to another government provider within a contract year. Some contracts provide for quarterly advances and upon finalization may require a repayment by the Agency or provide for a receivable from the funding source.

Receivables are evaluated periodically for collectability. Changes in the estimated collectability of the receivables are recorded in the statement of activities in the period in which the estimate is revised.

Contributions and Net Assets

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unrestricted net assets are resources that are undesignated, available for general purposes and are used for the general activities. Temporarily restricted net assets consist of resources, the use of which has been restricted by donors for specific purposes or the passage of time. Permanently restricted net assets consist of amounts which must be maintained by the Agency in perpetuity as stipulated by the donor. The release of net assets from temporary restrictions results from either the satisfaction of the restricted purposes specified by the donors, or from the passage of time. It is the Agency's policy to report as unrestricted support, donor-restricted contributions whose restrictions are met in the same reporting period. Board designated net assets represent unrestricted net assets used for capital acquisitions that have been set aside for future use.

Contributions receivable due in more than one year are discounted to their present value (estimated fair value) using a rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. Management determines an allowance for unredeemed promises by considering such factors as prior collection history with the donor, type of contribution and type of fund-raising event.

The Agency's permanently restricted net assets at June 30, consist of the following:

	2014	2013
Robert and Roselin Vegh Preventive Care Program	$ 70,322	$ 70,300
Harry S. Gindea Memorial Fund	57,238	57,220
Mel and Phyllis Zachter Ohel Endowment Fund	487,383	429,590
	$ 614,943	$ 557,110

The Agency's temporarily restricted net assets at June 30, consist of the following:

	2014	2013
Equipment, construction and renovations	$ 627,676	$ 569,863
Summer camp scholarships and recreation	535,514	300,561
Community awareness and education	262,831	253,748
Foster care	192,914	46,605
Charitable gift annuity trust	18,887	45,883
Residential and employment	721,785	379,560
Domestic violence	8,780	10,345
	$ 2,368,387	$ 1,606,565

Deferred Revenue
Revenue is recognized as services are provided. Deferred revenue in the amount of approximately $1,015,000 and $429,000 at June 30, 2014 and 2013, respectively, represents money received in advance for summer camp tuition. The balance of approximately $348,000 and $558,000 at June 30, 2014 and 2013, respectively, consists of other program advances of approximately $263,000 and $417,000 received for the fiscal year ending June 30, 2015 and 2014, and approximately $85,000 and $141,000 at June 30, 2014 and 2013, respectively, of deferred rental income accrued. Revenue is recognized as services are provided.

Depreciation
Property and equipment are capitalized by Ohel and Camp Ohel, provided their costs are $5,000 or more and their useful lives is two years or more. Property and equipment are capitalized by Etta provided their costs are $1,000 or more. Maintenance and repairs are charged to expense as incurred.

No depreciation is recognized on construction-in-progress. Depreciation of buildings and improvements, leasehold improvements and furniture and fixtures are provided on the straight-line basis at various rates calculated to recognize the cost of the respective assets over their estimated useful lives (or, in the case of leasehold improvements, the lease term, if shorter) are as follows:

Building and improvement	25-30 years
Leasehold improvements	20 years
Furniture and fixtures	3-10 years

Depreciation expense amounted to $2,679,618 and $2,449,955 for the years ended June 30, 2014 and 2013, respectively. For the years ended June 30, 2014 and 2013, respectively, depreciation expense included in the statements of functional expenses is $2,548,895 and $2,317,459, respectively; and $130,723 and $132,496, respectively, is reflected as an offset to rental and other income.

Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Risks and Uncertainties
The Agency has various investments that are exposed to various risks, such as interest rate, market and credit risks. Due to the risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks or investment values in the near term could affect the amounts reported in the statements of financial position and statements of activities and changes in net assets.

Cash and Cash Equivalents
The Agency considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At certain times during the year and at June 30, 2014, cash and cash equivalent balances with financial institutions exceeded Federal Deposit Insurance Corporation limits. The Agency believes it mitigates its risks by banking with major financial institutions.

Investments
Investments are reported at fair value in accordance with the current accounting standard, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Generally, fair value is determined by reference to quoted market prices.

Real Estate Held for Sale
Real estate held for sale at June 30, 2013 in the amount of $1,114,468 represents the net book value of one property which was sold in August 2013 net of closing expenses in the amount of approximately $2,300,000. A gain after closing costs of approximately $1.2 million was recognized in the fiscal year ended June 30, 2014.

Debt Reserve Funds
Debt reserve funds represent amounts held by a financial institution in the name of the Agency to pay the debt service on various bond obligations. Monies are deposited monthly with the trustee based on debt and interest amortization schedules. Principal and interest payments to bondholders are made by the trustee on a semi-annual basis. The reserve earns interest, which is used to offset the Agency's interest payment obligations under the mortgages.

Client Custodial Funds
The Agency has signature authority over client custodial funds of approximately $465,000 and $457,000 at June 30, 2014 and 2013, respectively. These monies are available and used for authorized purchases of client personal needs.

Construction and Property Acquisition Grants
The Agency capitalizes costs of construction and property acquisitions as incurred and accrues income upon reimbursement by the grantor for amounts paid by the Agency.

Advertising
The Agency's policy is to expense advertising costs as incurred. Advertising expense included in program, fund raising and general and administrative expenses were $294,607 and $378,223 for the years ended June 30, 2014 and 2013, respectively.

Compensated Absences Payable
Compensated absences payable represents amounts accrued for vacation pay. Vacation time that has not been used by an employee is paid out upon termination of employment.

Reclassifications
Reclassifications were made to the 2013 consolidated financial statements to conform to the 2014 presentation.

Intercompany Balances and Transactions
All significant intercompany balances and transactions have been eliminated in consolidation.

3. Program Receivables

At June 30, 2014 and 2013, program receivables amounted to $4,716,095 and $5,245,976 (net of allowance for uncollectible amounts of $67,147).

4. Pledges Receivable

Pledges receivable at June 30, 2014 are $3,297,246 (net of allowance for uncollectible amounts of $376,602); and $2,918,566 (net of allowance for uncollectible amounts of $423,249) at June 30, 2013. Approximately $2,469,000 is expected to be collected in less than one year and approximately $828,000 is expected to be collected within one to five years.

5. Grants Receivable

At June 30, 2014 and 2013, grants receivable amounted to $2,126,473 and $3,286,188. No allowance for doubtful accounts is required.

6. Investments

Authoritative guidance clarifies the definition of fair value, prescribes methods for measuring fair value, expands disclosure about the use of fair value measurements and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three levels. The following table presents the financial assets of the Agency that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy's three levels based on the reliability of the inputs used to determine fair value are as follows: Level 1 consisting of quoted prices in active markets for identical assets; Level 2 consisting of significant other observable inputs; and Level 3 consisting of significant unobservable inputs.

Investments consist of the following:

		Fair Value Measurements at June 30, 2014		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - equities	$ 319,720	$ 319,720	$ -	$ -
U.S. Government and agency debt securities	167,665	167,665	-	-
Investments - private companies	173,565	-	-	173,565
Bank money market funds	146,446	146,446	-	-
	$ 807,396	$ 633,831	$ -	$ 173,565

	Fair Value Measurements at June 30, 2013			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - equities	$ 158,324	$ 158,324	$ -	$ -
U.S. Government and agency debt securities	187,971	187,971	-	-
Investments - private company	98,565	-	-	98,565
Bank money market funds	256,699	256,699	-	-
	$ 701,559	$ 602,994	$ -	$ 98,565

Investments in private companies which are classified as Level 3 assets represent Ohel's minority investment in two managed care companies.

Changes in Level 3 assets using significant unobservable inputs measured at fair value are as follows:

	Real Property
Beginning balance - June 30, 2013	$ 98,565
Additions	75,000
Ending balance - June 30, 2014	$ 173,565

7. Property and Equipment

Property and equipment consists of the following as of June 30:

	2014	2013
Land	$ 5,173,198	$ 5,173,198
Building and improvements	40,074,165	39,443,267
Leasehold improvements	5,763,505	5,550,274
Furniture and fixtures	7,925,492	7,307,313
Construction-in-progress	199,168	197,642
	59,135,528	57,671,694
Less: accumulated depreciation	22,358,216	19,678,598
	$ 36,777,312	$ 37,993,096

Construction-in-progress in the amount of $199,168 at June 30, 2014 represents amounts incurred for renovations for new projects and locations that will be put in service during the fiscal year ending June 30, 2015 and for the rebuilding of one property damaged by Super Storm Sandy. The Agency capitalized preliminary costs associated with the renovation of an individualized residential facility in the amount of $197,642 at June 30, 2013. Construction was completed and the residence was opened to residents during the fiscal year ended June 30, 2014.

8. Charitable Gift Annuity Trust

The Agency is identified as a beneficiary in two $100,000 annuity trusts as of June 30, 2014. Under conditions of the trust agreement, the donor retains the right to receive annuity distributions during the donor's lifetime. The liability to the donor is included in accounts payable and accrued expenses and is measured at the present value of the expected future cash flows to be paid to the donor, amounting to approximately $63,000. An actuarial loss of approximately $27,000 was incurred during each of the years ended June 30, 2014 and 2013, as the actual cash payments to the donor have exceeded $63,000. The present value of the liability was calculated using a discount rate of 8% and applicable mortality table.

9. Bank Lines of Credit Payable

The Agency has a bank revolving line of credit agreement expiring December 31, 2014, under the terms of which it may borrow up to $3,000,000 with interest at 0.5% above the bank's prime rate (prime was 3.25% at June 30, 2014) with a minimum rate of 5.0%. The Agency had outstanding approximately $2,826,000 of the line at June 30, 2014 of which $326,000 was repaid on July 1, 2014 and an additional $200,000 on July 3, 2014.

The Agency had a bank revolving line of credit agreement which expired on July 3, 2014, under the terms of which it may borrow up to $6,500,000 with interest at 0.5% above the bank's prime rate (prime was 3.25% at June 30, 2014) with a minimum rate of 5.5%. The Agency had outstanding $6,000,000 of the line at June 30, 2014. On July 1, 2014, $6,000,000 was repaid. The line of credit was not renewed.

10. Mortgages and Bonds Payable

Unless otherwise specified, mortgages and bonds payable are secured by property and security interests in all fixtures, furnishings and equipment. Mortgages and bonds payable consist of the following as of June 30,:

	2014	2013
IDA Bond Payable – Series 2004 A-1 consists of annual installments including interest at an average coupon rate of 4.05% through 2016.	$ 285,000	$ 340,000
Mortgage payable - Facilities Development Corporation ("FDC") consists of semi-annual installments of $63,700 including interest at 8.9% through 2017.	341,379	432,284
Mortgage payable - Dormitory Authority of the State of New York ("DASNY") consists of annual installments of principal and semi-annual installments of interest at 2% to 5% through July 2026.	5,505,000	-
Mortgage payable - DASNY consists of annual installments of principal and semi-annual installments of interest at 1.0% through July 2016.	270,000	-
Mortgage payable - DASNY consists of semi-annual installments of $74,032 including interest at 5.23% through 2022.	1,005,668	1,097,528
Bank mortgages payable held by affiliate (Etta) consists of monthly installments with fixed interest rates of 3.0% through May 2022.	360,338	419,506
Bank mortgage payable held by affiliate (Etta) consists of monthly installments with fixed interest rates of 6.0% through January 2015, then 5 year LIBOR swap +3.25% with a 6.0% floor due January 2040.	689,707	701,347
Bank mortgages payable – consists of monthly installments with fixed interest rates ranging from 4.875% to 8.5% through September 2024.	4,243,826	9,109,668
	$ 12,700,918	$ 12,100,333

The annual maturities of mortgages and bonds payable for each of the next five years and thereafter are as follows:

Years Ending June 30,	
2015	$ 1,344,534
2016	1,549,846
2017	1,348,974
2018	1,213,707
2019	1,212,589
Thereafter	6,031,268
Total	$ 12,700,918

The mortgages with the FDC and DASNY effectively assign or collateralize the revenue of the underlying property as well as the property and all equipment or improvements made and restrict the use of property.

11. Notes Payable

Notes payable represent general operational loans.

Notes payable consist of the following as of June 30,:

	2014	2013
Note payable – third party, interest only payable semiannually at 6.5% with principal due February 28, 2015.	$ 650,000	$ 650,000
Note payable – third party, interest only payable semiannually at 4.25% with principal due June 20, 2016.	500,000	500,000
Note payable – bank acquisition loan for equipment secured by receivable for equipment acquisition grant consists of interest payments only at 5.50% per annum due January 31, 2015.	635,378	582,321
Note payable – finance company, interest only payable in monthly installments at 3% above prime (prime was 3.25% at June 30, 2014) with principal due on August 31, 2015. (Repaid in full July 2014).	475,000	-
Note payable – bank acquisition loan consists of equal monthly principal installments of $4,722 interest at 5.25% maturing March 1, 2016.	99,706	155,834

Note payable – bank acquisition loan consists of monthly principal installments of $8,334 plus interest at 7% maturing September 30, 2014.	23,613	93,333
Loan payable to a related party, 0% interest, unsecured, payable in installments of $2,000 until paid, due August 2018.	76,000	100,000
Loans payable to related parties, no interest, unsecured, due on demand.	50,000	50,000
Loan payable to private party, no interest, unsecured, due on demand.	10,000	35,000
Loan payable to a related party, 0% interest, unsecured, payable in installments of $3,000, due December 2015.	54,000	90,000
Loan payable to a related party, 0% interest, unsecured, payable in a single balloon payment October 2014.	50,619	101,239
Loan payable to a related party, 0% interest, payable in semi-annual installments of $1,500 commencing December 2012 through June 2016, final installment of $2,000 in December 2016.	12,500	12,500
Loan payable to Disability Opportunity Fund, fixed rate installment note, 6.5% interest, unsecured, guaranteed by third party, payable in interest-only installments through January 2012, and installments of $373 from February 2012 through December 2014, and a balloon payment of $46,342 in January 2015.	16,918	48,190
Loan payable to Honda Financial Services, financing installment note, 1.9% interest, secured by an automobile costing $37,819 payable in installments of $662 until paid, due May 2017.	21,944	29,398
Loan payable to Honda Financial Services, financing installment note, 0.9% interest, secured by an automobile costing $38,005, payable in installments of $222 until paid, due June 2017.	7,872	10,451
Note payable – with an individual payable due October 2013 at the rate of 0.25% per annum.	-	1,000,000

Note payable – finance company, interest only payable in monthly installments at 3% above prime (prime was 3.25% at June 30, 2013) with principal due on March 31, 2015.	-	500,000
Note payable – bank construction loan due January 5, 2014 at prime plus 1.5% but not lower than 4.75% which will convert to a long-term mortgage upon completion of construction.	-	859,612
Note payable – bank acquisition loan for property secured by receivable for property acquisition grant consists of interest payments only at 5.50% per annum due January 31, 2014.	-	672,000
Note payable – bank acquisition loan consists of monthly principal installments of $5,833 plus interest at 8% maturing July 31, 2013.	-	8,334
Total notes payable	$ 2,683,550	$ 5,498,212

The annual maturities of notes payable are as follows:

Years Ending June 30,	
2015	$ 1,350,763
2016	1,296,183
2017	32,604
2018	4,000
Total	$ 2,683,550

12. Capital Lease Obligations Payable

Furniture and equipment capitalized pursuant to capital lease agreements amounted to $154,099 and $204,098 at June 30, 2014 and 2013, respectively. The related future minimum annual lease payments at June 30, 2014 are approximately as follows:

Years Ending June 30,	Total Amount	Principal Portion of Future Lease Payments
2015	$ 49,990	$ 45,546
2016	49,990	47,131
2017	49,990	48,771
2018	4,129	4,138
Total payments	154,099	
Less amounts representing interest (with imputed rates of approximately 3.425%)	8,513	
Principal portion of future lease payments	$ 145,586	

13. Due to Governmental Agencies

Due to governmental agencies in the amount of $1,255,343 and $1,187,793 at June 30, 2014 and 2013, respectively, consists of the following:

Amounts due to the Office of Mental Health from excess Medicaid and contract revenue at June 30, 2014 and 2013 were approximately $1,209,000 and $969,000, respectively. Approximately, $221,000 and $269,000 at June 30, 2014 and 2013, respectively, relates to an industry issue that has been litigated and the Office of Mental Health is being repaid via monthly withholds through the normal course of contract reconciliations for amounts paid to providers in prior years. The balance of approximately $988,000 and $700,000 at June 30, 2014 and 2013, respectively, represents advances and payments that will be repaid through the normal course of contract reconciliations.

At June 30, 2014 and 2013, amounts due to the Office for People with Developmental Disabilities ("OPWDD") of approximately $46,000 and $219,000, respectively, consist of advances to fund program services, renovation, construction and periodic maintenance. The amounts will be repaid through rate recoupment.

14. Related Parties

The Lifetime Care Foundation for Jewish Disabled, Inc. ("Lifetime"), a related party, prepaid expenses for services rendered by Ohel to Lifetime Care in the ordinary course of business, of approximately $125,000 and $50,000 at June 30, 2014 and 2013, respectively, is included in accounts payable and accrued expenses. Ohel and Lifetime are related due to overlapping board members and management.

15. Commitments and Contingencies

Government Funding
Pursuant to the Agency's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of the Agency involving transactions relating to these contracts. The accompanying consolidated financial statements make no provisions for possible disallowance.

In addition, certain agreements provide that some property and equipment owned by the Agency must be utilized by the Agency to continue owning these assets.

Real Property and Equipment Leases
The Agency is obligated, pursuant to various operating lease agreements for future minimum annual real property and equipment lease payments for the years ending, as indicated below. Rent and equipment lease expense for the years ended June 30, 2014 and 2013 amounted to approximately $3,200,000 and $2,800,000, respectively.

The Agency rents certain property to tenants on a month-to-month basis. For the years ended June 30, 2014 and 2013, rental income was approximately $351,000 and $451,000, respectively, and is included in rental and other income in the statement of activities.

Rent commitments for the next five years and thereafter are as follows:

Years Ending June 30,	Total	Real Property	Equipment
2015	$ 2,613,951	$ 2,488,697	$ 125,254
2016	1,566,377	1,462,805	103,572
2017	1,365,725	1,316,040	49,685
2018	973,184	963,372	9,812
2019	885,184	884,192	992
Thereafter	1,837,955	1,837,955	-
Total	$ 9,242,376	$ 8,953,061	$ 289,315

16. Endowment

The Agency's endowment consists of one individual fund established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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

(1) The duration and preservation of the fund
(2) The purpose of the Agency and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Agency
(7) Where appropriate and circumstances would otherwise allow alternatives to expending of the endowment fund, given due consideration for the effect that such alternatives may have on the Agency; and
(8) The investment policies of the Agency.

Board designated net assets are designated for future capital expenses incurred with respect to the properties and improvements purchased with construction and capital grants earned during the current year.

Changes in Endowment Net Assets for the Year Ended June 30, 2014 were approximately as follows:

	Donor-Restricted Endowment Funds	Board Designated Endowment Funds	Total
Endowment net assets, beginning of year	$ 557,110	$ 10,483,771	$ 11,040,881
Contributions to endowment	4,220	-	4,220
Investment return:			
Interest and dividend income	34,219	-	34,219
Capital gains	-	-	-
Unrealized gains	19,394	-	19,394
Appropriation of endowment assets for expenditure	-	(166,049)	(166,049)
Endowment net assets, end of year	$ 614,943	$ 10,317,722	$ 10,932,665

Changes in Endowment Net Assets for the Year Ended June 30, 2013 were approximately as follows:

	Donor-Restricted Endowment Funds	Board Designated Endowment Funds	Total
Endowment net assets, beginning of year	$ 530,528	$ 11,081,821	$ 11,612,349
Contributions to endowment	-	-	-
Investment return:			
Interest and dividend income	10,418	-	10,418
Capital gains	-	-	-
Unrealized gains	16,164	-	16,164
Appropriation of endowment assets for expenditure	-	(598,050)	(598,050)
Endowment net assets, end of year	$ 557,110	$ 10,483,771	$ 11,040,881

17. Pension Plan

Ohel has a noncontributory defined benefit plan for all eligible employees. Benefits are based upon years of service and compensation. Prior to the June 30, 2007 fiscal year end, the Board of Directors adopted a resolution to curtail benefit accruals as of December 31, 2007.

A summary of Ohel's pension plan cost, employer contributions and benefits paid for the years ended June 30, is as follows:

	2014	2013
Net periodic pension costs	$ 25,563	$ 213,839
Employer contributions	$ 250,000	$ 350,917
Benefits paid	$ 201,030	$ 369,421

The measurement of the net periodic pension cost for the years ended June 30 is based on the following assumptions:

	2014	2013
Weighted-average discount rate	4.00%	4.25%
Weighted-average expected long-term rate of return on plan assets	7.50%	7.50%

The measurement of the benefit obligation at June 30, 2014 is based on the following assumptions:

	2014	2013
Discount rate	3.75%	4.00%
Rate of compensation increase	N/A	N/A

The Expected Long-Term Rate of Return on Plan Assets Assumption of 7.50% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection of Economic Assumptions for Measuring Pension Obligations. Based on Ohel's investment allocation for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30 year period rolling averages. An average inflation rate within the range equal to 3.75% was selected and added to the real rate of return range to arrive at a best estimate range of 6.40%-8.63%. A rate of 7.50% which is within the best estimate range was selected.

The funded status of Ohel's pension plan and the amounts reflected in the accompanying statement of financial position are as follows:

	2014	2013
Benefit obligation	$ 14,041,425	$ 13,510,508
Fair value of plan assets (primarily consisting of debt and equity securities)	12,168,620	10,711,730
Unfunded pension obligation	$ 1,872,805	$ 2,798,778
Accumulated benefit obligation	$ 14,041,425	$ 13,510,508

Benefit payments are expected to be paid as follows:

Years Ending June 30,	
2015	$ 3,498,000
2016	703,000
2017	877,000
2018	1,068,000
2019	826,000
2020-2024	4,314,000
	$ 11,286,000

Ohel's best estimate of their expected contribution to the plan for the year ending June 30, 2015 is $350,000.

The amounts represented on the line, pension related credits, other than net periodic costs within the statement of activities for the years ended June 30, 2014 and 2013 is comprised of assumption changes, actuarial losses and investment return adjustments. These amounts are not yet reflected in net periodic benefit cost.

The composition of Plan assets at June 30 is as follows:

	2014	2013
Equity	52.40%	50.50%
Fixed income	16.40%	16.50%
Cash and cash equivalents	31.20%	33.00%
	100.00%	100.00%

Pension plan assets are managed and invested by Mutual of America Capital Management Corporation. Contributions are invested predominantly in pooled investment funds, which offer the advantages of diversification and economics of scale. The investment guidelines allow for two asset classes, common stock and fixed income. The allowable range for each asset class is 40%-60%.

Fair Value Measurement

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. Valuation techniques used to measure fair value are defined as follows:

- Level 1 –- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

- Level 2 – Inputs to the valuation methodology include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the assets or liabilities; and (d) 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.

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, 2014 and 2013:

- General Interest Accumulation Account: Valued at fair market value.
- Pooled Separate Accounts: Valued at fair market value of the underlying assets which represent the pooled accounts.

Assets at fair value as of June 30, 2014 are as follows:

	Level 1	Level 2	Level 3	Total
General interest accumulated account	$ -	$ 3,799,880	$ -	$ 3,799,880
Pooled separate accounts	-	8,368,740	-	8,368,740
Totaled assets at fair value	$ -	$12,168,620	$ -	$12,168,620

Assets at fair value as of June 30, 2013 are as follows:

	Level 1	Level 2	Level 3	Total
General interest accumulated account	$ -	$ 3,537,579	$ -	$ 3,537,579
Pooled separate accounts	-	7,174,151	-	7,174,151
Totaled assets at fair value	$ -	$10,711,730	$ -	$10,711,730

Voluntary Tax Deferred Retirement Savings
Ohel and Camp Ohel have established a voluntary tax deferred retirement savings plan available for their employees under Section 403(b) of the Internal Revenue Code. All employees of Ohel and Camp Ohel are eligible to participate and contribute a portion of their gross salaries up to the federal limit of $16,500 annually. Employer matching contributions are not provided for under this plan; however, eligible employees receive employer base contributions. There is no minimum age requirement to receive employer base contributions, however, employees must complete at least one year of service (a minimum of 1,000 hours of service in a twelve-month period) to receive employer base contributions under this plan. Once eligible, an employee remains eligible.

Ohel contributes 2% of salary for all eligible employees with less than fifteen years of service and 3% of salary for employees with fifteen years or more of service. The value of an individual's account attributable to employer contributions vests as follows:

- Less than two years of service 0%
- 2 years of service 20%
- 3 years of service 40%
- 4 years of service 60%
- 5 or more years of service 100%

No contributions to the plan were made by Ohel or Camp Ohel for the years ended June 30, 2014 and 2013. Employer contributions were suspended for the period April 1, 2011 through June 30, 2014.

18. Income Taxes

Ohel and Camp Ohel are organized under the not-for-profit corporation law of the State of New York, and both have been granted their respective exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Ohel and Camp Ohel are each current with respect to their Federal and State income tax filing requirements. Etta is organized under Section 237019(d) of the California Revenue and Taxation Code and has been granted exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any issues or circumstances that would unfavorably impact the tax exempt status of either of the three entities. Management has determined that the Agency had no uncertain tax positions that would require financial statement recognition. The Agency is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to June 30, 2011.

19. Subsequent Events

The Agency purchased a new property on October 30, 2014, that will serve as Ohel's new Main Campus. The building will be undergoing major renovations during the calendar year 2015. Additionally, Ohel has entered into a contract of sale for its current home office building.

The Agency has evaluated subsequent events through November 26, 2014, the date the consolidated financial statements were available for issuance and determined that there are no significant events other than those disclosed elsewhere in these consolidated financial statements.

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Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Financial Statements
June 30, 2013 and 2012

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Independent Auditors' Report

To the Board of Directors
Ohel Children's Home and Family Services, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Ohel Children's Home and Family Services, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and changes in net assets, 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 financial position of Ohel Children's Home and Family Services, Inc. and Affiliates as of June 30, 2013 and 2012, 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.

WeiserMazars LLP

November 27, 2013

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statements of Financial Position

June 30, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	$ 8,133,070	$ 9,182,232
Program receivables	5,245,976	3,827,468
Pledges receivable	2,918,566	2,976,245
Grants receivable	3,286,188	2,376,732
Investments	701,559	627,983
Other receivables	143,292	235,785
Property and equipment, net of accumulated depreciation	37,993,096	36,186,033
Property held for sale	1,114,468	225,000
Client custodial funds	456,545	464,547
Prepaid expenses and other assets	436,166	353,341
Debt reserve funds	299,159	1,030,694
Total assets	$ 60,728,085	$ 57,486,060
Liabilities and Net Assets		
Bank lines of credit payable	$ 9,000,000	$ 8,768,000
Accounts payable and accrued expenses	4,024,466	2,356,227
Accrued salaries and fringes	2,719,569	3,472,180
Mortgages and bonds payable	12,100,333	11,888,457
Notes payable	5,498,212	5,722,218
Capital lease obligations payable	204,098	33,764
Due to governmental agencies	1,187,793	1,224,256
Client custodial funds	456,545	464,547
Deferred revenue	987,151	543,268
Compensated absences payable	1,138,110	1,102,177
Unfunded pension obligation	2,798,778	3,469,104
Total liabilities	40,115,055	39,044,198
Commitments and contingencies		
Unrestricted net assets:		
Undesignated	7,965,584	5,438,754
Board designated	10,483,771	11,081,281
Temporarily restricted	1,606,565	1,391,299
Permanently restricted	557,110	530,528
Total net assets	20,613,030	18,441,862
Total liabilities and net assets	$ 60,728,085	$ 57,486,060

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Program service fees	$ 48,330,593	$ -	$ -	$ 48,330,593
Contributions and operating grants	5,262,487	1,100,356	-	6,362,843
Special events (less direct costs of $758,833)	1,478,951	-	-	1,478,951
Actuarial loss	-	(26,571)	-	(26,571)
Rental and other income, net	296,576	-	26,582	323,158
Net assets released from restrictions	1,802,026	(1,802,026)	-	-
Total revenue	57,170,633	(728,241)	26,582	56,468,974
Expenses				
Program	46,754,887	-	-	46,754,887
Fund raising	1,436,219	-	-	1,436,219
General and administrative	7,751,868	-	-	7,751,868
Total operating expenses	55,942,974	-	-	55,942,974
Change in net assets before other items	1,227,659	(728,241)	26,582	526,000
Other items				
Hurricane Sandy	(455,459)	350,000	-	(105,459)
Assets acquired over liabilities assumed	623,872	593,507	-	1,217,379
Pension related credits, other than net periodic costs	533,248	-	-	533,248
Increase in net assets	1,929,320	215,266	26,582	2,171,168
Net assets				
Beginning of year	16,520,035	1,391,299	530,528	18,441,862
End of year	$ 18,449,355	$ 1,606,565	$ 557,110	$ 20,613,030

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Program service fees	$ 45,761,848	$ -	$ -	$ 45,761,848
Contributions and operating grants	4,342,117	1,318,844	5,085	5,666,046
Special events (less direct costs of $769,539)	1,054,298	-	-	1,054,298
Actuarial loss	-	(24,548)	-	(24,548)
Rental and other income, net	512,161	-	1,901	514,062
Net assets released from restrictions	2,147,700	(2,147,700)	-	-
Total revenue	53,818,124	(853,404)	6,986	52,971,706
Expenses				
Program	43,831,052	-	-	43,831,052
Fund raising	1,458,511	-	-	1,458,511
General and administrative	6,186,400	-	-	6,186,400
Total operating expenses	51,475,963	-	-	51,475,963
Change in net assets before other items	2,342,161	(853,404)	6,986	1,495,743
Other items				
Pension related charges, other than net periodic costs	(1,453,608)	-	-	(1,453,608)
Increase (decrease) in net assets	888,553	(853,404)	6,986	42,135
Net assets				
Beginning of year	15,631,482	2,244,703	523,542	18,399,727
End of year	$ 16,520,035	$ 1,391,299	$ 530,528	$ 18,441,862

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statements of Functional Expenses

Years Ended June 30, 2013 and 2012

	Program	Fundraising	General and Administrative	2013 Total	2012 Total
Personal services	$ 25,394,849	$ 786,884	$ 3,550,271	$ 29,732,004	$ 28,186,341
Payroll taxes and benefits	5,605,660	152,505	830,076	6,588,241	6,911,314
Rent	2,731,529	-	115,398	2,846,927	3,005,286
Depreciation	1,546,837	6,201	764,421	2,317,459	2,097,732
Food	1,647,163	12,076	31,865	1,691,104	1,464,778
Client expenses	2,365,574	-	2,574	2,368,148	1,191,341
Office expenses	629,677	306,297	368,487	1,304,461	1,142,184
Interest	727,151	-	363,030	1,090,181	1,000,708
Professional fees	203,833	61,266	590,452	855,551	682,063
Transportation	353,322	10,949	32,639	396,910	414,507
Utilities	693,466	2,455	134,042	829,963	741,717
Supplies	652,809	6,359	75,533	734,701	583,305
Communication	541,024	15,771	467,365	1,024,160	717,961
Equipment leasing	459,938	21,306	56,729	537,973	567,136
Repairs and maintenance	745,974	5,919	61,935	813,828	528,533
Medical expenses	285,635	-	50,040	335,675	294,720
Foster boarding fees	501,128	-	-	501,128	426,162
Grants	69,860	-	-	69,860	-
Facility assessment	618,634	-	-	618,634	533,859
Insurance	511,496	2,741	135,714	649,951	522,370
Advertising	211,436	45,490	121,297	378,223	313,240
School expenses	257,892	-	-	257,892	150,706
Total expenses	$ 46,754,887	$ 1,436,219	$ 7,751,868	$ 55,942,974	$ 51,475,963

The accompanying notes are an integral part of these financial statments.

Ohel Children's Home and Family Services, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2012

	Program	Fund Raising	General and Administrative	2012 Total
Personal services	$ 24,698,196	$ 804,339	$ 2,683,806	$ 28,186,341
Payroll taxes and benefits	5,746,248	179,114	985,952	6,911,314
Rent	2,931,399	6,217	67,670	3,005,286
Depreciation	1,763,329	5,994	328,409	2,097,732
Food	1,438,124	8,545	18,109	1,464,778
Client expenses	1,181,534	9,187	620	1,191,341
Office expenses	485,091	347,671	309,422	1,142,184
Interest	685,428	-	315,280	1,000,708
Professional fees	253,692	23,071	405,300	682,063
Transportation	371,296	8,222	34,989	414,507
Utilities	616,031	401	125,285	741,717
Supplies	524,332	4,503	54,470	583,305
Communication	319,184	14,810	383,967	717,961
Equipment leasing	480,496	20,006	66,634	567,136
Repairs and maintenance	464,817	2,598	61,118	528,533
Medical expenses	294,720	-	-	294,720
Foster boarding fees	426,162	-	-	426,162
Facility assessment	533,859	-	-	533,859
Insurance	352,195	-	170,175	522,370
Advertising	164,392	23,833	125,015	313,240
School expenses	100,527	-	50,179	150,706
Total expenses	$ 43,831,052	$ 1,458,511	$ 6,186,400	$ 51,475,963

The accompanying notes are an integral part of these financial statements.

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 2,171,168	$ 42,135
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,449,955	2,224,722
Assets acquired over liabilities assumed	(1,143,121)	
Pension related (credits) charges, other than net periodic costs	(533,248)	1,453,608
Impairment on property Hurricane Sandy	957,369	
Unrealized (gain) loss on investments	(20,284)	19,463
Gain on sale of property	-	(2,550)
Contributions and investment income, permanently restricted	-	(6,986)
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Program receivables	(1,348,257)	1,147,927
Pledges receivable	124,384	319,750
Grants receivable	(701,455)	(1,928,851)
Other receivables	83,002	(184,028)
Prepaid expenses and other assets	(27,686)	15,333
Accounts payable and accrued expenses	1,587,085	184,053
Accrued salaries and fringes	(752,611)	353,922
Deferred revenue	428,183	112,226
Compensated absences payable	51,633	(385,372)
Net proceeds from governmental agencies	(36,463)	(263,599)
Unfunded pension liability	(137,078)	(313,234)
Net cash provided by operating activities	3,152,576	2,788,519
Cash flows from investing activities		
Property and equipment acquisitions	(3,933,815)	(6,129,714)
Property held for resale	225,000	73,800
Purchase of investments	(53,292)	(25,000)
Net cash used in investing activities	(3,762,107)	(6,080,914)
Cash flows from financing activities		
Utilization of debt reserve funds	731,535	134,572
Proceeds from bank line of credit - net	232,000	1,368,000
Proceeds refinanced mortgage	3,100,000	-
Repayment of mortgages payable	(4,059,238)	(1,082,493)
Proceeds from notes payable	86,522	3,630,551
Repayment of notes payable	(700,784)	-
Repayments of capital lease obligations	170,334	(87,671)
Proceeds of endowment contributions	-	5,085
Net cash (used in) provided by financing activities	(439,631)	3,968,044
Net (decrease) increase in cash and cash equivalents	(1,049,162)	675,649
Cash and cash equivalents		
Beginning	9,182,232	8,506,583
Ending	$ 8,133,070	$ 9,182,232
Supplementary disclosure of cash flow information		
Cash paid during the year for interest	$ 1,177,439	$ 1,087,185
Supplementary disclosure of noncash activities		
Net assets acquired through the Etta acquisition		
Cash and cash equivalents	$ 74,258	
Program receivables	70,250	
Pledges receivable	289,705	
Grants receivable	210,000	
Property and equipment	2,395,011	
Prepaid expenses and other assets	35,758	
Accounts payable and accrued expenses	(296,233)	
Mortgages payable	(1,171,114)	
Notes payable	(390,256)	
	1,143,121	
Assets acquired over liabilities assumed	$ 1,217,379	

The accompanying notes are an integral part of these financial statements.

1. Organization and Purpose

The accompanying consolidated financial statements include the accounts of Ohel Children's Home and Family Services, Inc. ("Ohel"), and its member companies; Camp Ohel, Inc. d.b.a. Camp Kaylie ("Camp Ohel" or "Camp Kaylie") and The Tikvah Etta and Lazear Israel Center for the Developmentally Disabled, d.b.a Etta Israel Center ("Etta"), collectively, the "Agency".

Ohel is organized under the not-for-profit corporation law of the State of New York. Ohel was established to provide services for the care of destitute, abandoned, dependent, neglected and emotionally disturbed children and adults, and has been granted an exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

In the ensuing years, Ohel has significantly expanded and operated residential facilities to provide care and treatment for developmentally and physically disabled children and adults in the metropolitan New York area. In addition, Ohel operates other non-residential programs such as outpatient clinics, day programs, family support camp, specialized treatment services, and crisis intervention. Ohel receives its support predominantly from Federal, New York State and City governmental sources as well as from private contributions.

In March 2010, Ohel expanded its services when the Board of Directors approved the purchase of a camp site in the Sullivan County area of New York. The purchase price and subsequent renovations to existing buildings and the construction of a gym, activities center and additional housing in the amount of approximately $11,500,000 were fully funded via grants and charitable contributions. Approximately $853,000 of improvements have been funded by Ohel through earned surplus. The camp grounds and respective buildings are currently owned by Ohel.

Camp Ohel was incorporated July 16, 2008 as a New York not-for-profit corporation for the primary objective of developing and operating a fully integrated summer camp for children with and without developmental disabilities, and has been granted an exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Ohel is the sole member of Camp Ohel. Camp Kaylie also is utilized to provide respite opportunities to parents and family members with children who have disabilities. It is also available for rental to community groups.

Camp Ohel Realty Corporation ("Realty") was incorporated July 24, 2008 as a New York not-for-profit corporation for the sole purpose of holding title to real property to be used exclusively to support the charitable and education purposes of its sole member, Camp Ohel, and has been granted an exemption from federal income tax pursuant to Section 501(c)(2) of the Internal Revenue Code. It is anticipated that Ohel will transfer all camp real estate to Realty during fiscal year ending June 30, 2014. Realty had no operations during the fiscal years ended June 30, 2013 and 2012.

On September 18, 2012, Ohel, with the approval of each agency's respective Board of Directors, and the California Secretary of State, became the sole member of Etta. Etta is organized under Section 23701(d) of the California Revenue and Taxation Code and has been granted exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

The acquisition of Etta is reflected in the consolidated statement of activities and changes in net assets as assets acquired over liabilities assumed. The fair market value of Etta's net assets acquired at the date of acquisition was approximately $1.2 million. No cash or other consideration was transferred in the transaction. Etta's revenues and expenses from the date of acquisition through June 30, 2013 are consolidated with the results of operations of Ohel and Camp Ohel.

Ohel provides:

- Outpatient and residential services for children, adolescents and adults with developmental and psychiatric disabilities;
- Day habilitation services as well as comprehensive outpatient programs including respite, in home services and family support;
- Outpatient psychological and psychiatric evaluations and treatment for children, adults and families (treatment is also available for homebound individuals);
- Psychiatric day programs in a beautiful environment for adults with mental illness to socialize, work, study or have lunch with friends;
- In-home crisis assessment and referrals to individuals and families experiencing psychiatric, psychological or behavioral crisis;
- Foster care programs and caring for children suffering from abuse or neglect by placing them with loving and caring certified foster families;
- Day camps and overnight camps for children and young adults with psychiatric and developmental disabilities;
- The Mel & Phyllis Zachter OHEL Institute for Training provides dynamic trainings for the professional and lay communities featuring world-renowned experts. It offers cutting edge, problem-solving approaches to address a broad range of current mental health, education and social service concerns;
- Domestic Violence Program providing individualized counseling and support groups for women and children as well as temporary safe housing for victims of domestic violence, education to the community about this issue and the importance of providing options for women who are in abusive relationships;
- A program offering job preparation and placement for people with psychiatric and developmental disabilities;
- Confidential treatment by specially trained professionals for drug, alcohol, gambling and other addictions;
- Comprehensive preventive care services for families in need of crisis intervention and counseling.

Camp Kaylie's programs are specifically designed to address the unique and special needs and barriers that children with disabilities routinely encounter in a mainstream environment. Camp Kaylie's programs and specially trained staff focus on addressing the physical, emotional, and social skills, limitations and special needs of these children. The goals for Camp Kaylie are aimed at fostering skills development, self-confidence, socialization, independence, leadership and community responsibilities among children with disabilities.

A relatively unique but important aspect of Camp Kaylie's programs is the camper populate designed to include typically developing children (i.e., children without disabilities). The objective for integrating typically developing children with children with disability is aimed at enhancing the ability of children with disabilities to learn and develop skills and confidence in the least restrictive setting. Camp Kaylie's inclusion and integration concept will permit disabled and non-disabled siblings to attend camp together.

Etta serves the Los Angeles Community by offering direct care programs, such as group home residential facilities, supported living case management and coaching, social and recreational activities, Special Education classes, and counseling. Etta remains a California not-for-profit corporation with IRS 501(c)(3) status.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of the Agency have been prepared on the accrual basis.

Revenue

Program service fees represent the estimated net realizable amounts from third-party payors, clients and others for services rendered. Revenues derived under the third-party reimbursement programs are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment.

There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to funding source audit findings, additional monies available over and above original contract amounts and rate appeal results. Government funding source contracts may be subject to change during the course of a contract year. Additionally, contracts might be assigned to another government provider within a contract year. Some contracts provide for quarterly advances and upon finalization may require a repayment by the Agency or provide for a receivable from the funding source.

Receivables are evaluated periodically for collectability. Changes in the estimated collectability of the receivables are recorded in the statement of activities in the period in which the estimate is revised.

Contributions and Net Assets

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unrestricted net assets are resources that are undesignated, available for general purposes and are used for the general activities. Temporarily restricted net assets consist of resources, the use of which has been restricted by donors for specific purposes or the passage of time. Permanently restricted net assets consist of amounts which must be maintained by the Agency in perpetuity as stipulated by the donor. The release of net assets from temporary restrictions results from either the satisfaction of the restricted purposes specified by the donors, or from the passage of time. It is the Agency's policy to report as unrestricted support, donor-restricted contributions whose restrictions are met in the same reporting period. Board designated net assets represent unrestricted net assets used for capital acquisitions that have been set aside for future use.

Contributions receivable due in more than one year are discounted to their present value (estimated fair value) using a rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. Management determines an allowance for unredeemed promises by considering such factors as prior collection history with the donor, type of contribution and type of fund-raising event.

The Agency's permanently restricted net assets at June 30, consist of the following:

	2013	2012
Robert and Roselin Vegh Preventive Care Program	$ 70,300	$ 70,279
Harry S. Gindea Memorial Fund	57,220	57,203
Mel and Phyllis Zachter Ohel Endowment Fund	429,590	403,046
	$ 557,110	$ 530,528

The Agency's temporarily restricted net assets at June 30, consist of the following:

	2013	2012
Equipment, construction and renovations	$ 569,863	$ 592,313
Summer camp scholarships and recreation	300,561	177,151
Community awareness	253,748	120,000
Foster care	46,605	30,980
Charitable gift annuity trust	45,883	72,455
Residential and employment	379,560	59,400
Domestic violence	10,345	10,000
Camp Ohel, Inc.	-	329,000
	$ 1,606,565	$ 1,391,299

Deferred Revenue

Revenue is recognized as services are provided. Deferred revenue in the amount of approximately $429,000 and $435,000 at June 30, 2013 and 2012, respectively, represents money received in advance for summer camp tuition. The balance of approximately $558,000 at June 30, 2013 consists of other program advances of approximately $417,000 received for the fiscal year ending June 30, 2014 and approximately $141,000 and $108,000 at June 30, 2013 and 2012, respectively, of deferred rental income accrued. Revenue is recognized as services are provided.

Depreciation

Property and equipment are capitalized by Ohel and Camp Ohel, provided their costs are $5,000 or more and their useful lives is two years or more. Property and equipment are capitalized by Etta provided their costs are $1,000 or more. Maintenance and repairs are charged to expense as incurred.

No depreciation is recognized on construction-in-progress. Depreciation of buildings and improvements, leasehold improvements and furniture and fixtures are provided on the straight-line basis at various rates calculated to recognize the cost of the respective assets over their estimated useful lives (or, in the case of leasehold improvements, the lease term, if shorter) are as follows:

Building and improvement	25-30 years
Leasehold improvements	20 years
Furniture and fixtures	3-10 years

Depreciation expense amounted to $2,449,955 and $2,224,722 for the years ended June 30, 2013 and 2012, respectively. For the years ended June 30, 2013 and 2012, depreciation expense included in the statements of functional expenses is $2,317,459 and $2,097,732, respectively; and $132,496 and $126,990, respectively, is reflected as an offset to rental and other income.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Risks and Uncertainties

The Agency has various investments that are exposed to various risks, such as interest rate, market and credit risks. Due to the risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks or investment values in the near term could affect the amounts reported in the statements of financial position and statements of activities and changes in net assets.

Cash and Cash Equivalents

The Agency considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At certain times during the year and at June 30, 2013, cash and cash equivalent balances with financial institutions exceeded Federal Deposit Insurance Corporation limits. The Agency believes it mitigates its risks by banking with major financial institutions.

Investments

Investments are reported at fair value in accordance with the current accounting standard, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Generally, fair value is determined by reference to quoted market prices.

Real Estate Held for Sale

Real estate held for sale at June 30, 2013 in the amount of $1,114,468 represents the net book value of one property which was sold in August 2013 in the amount of $2,400,000. A gain after closing costs of approximately $1.2 million will be recognized in the fiscal year ending June 30, 2014.

The property in the amount of $225,000 at June 30, 2012 was sold in December 2012. No gain or loss was recognized on the transaction.

Debt Reserve Funds
Debt reserve funds represent amounts held by a financial institution in the name of the Agency to pay the debt service on various bond obligations. Monies are deposited monthly with the trustee based on debt and interest amortization schedules. Principal and interest payments to bondholders are made by the trustee on a semi-annual basis. The reserve earns interest, which is used to offset the Agency's interest payment obligations under the mortgages.

Client Custodial Funds
The Agency has signature authority over client custodial funds of approximately $457,000 and $465,000 at June 30, 2013 and June 30, 2012, respectively. These monies are available and used for authorized purchases of client personal needs.

Construction and Property Acquisition Grants
The Agency capitalizes costs of construction and property acquisitions as incurred and accrues income upon reimbursement by the grantor for amounts paid by the Agency.

Advertising
The Agency's policy is to expense advertising costs as incurred. Advertising expense included in program, fund raising and general and administrative expenses were $378,000 and $313,240 for the years ended June 30, 2013 and 2012, respectively.

Compensated Absences Payable
Compensated absences payable represents amounts accrued for vacation pay. Vacation time that has not been used by an employee is paid out upon termination of employment.

Reclassifications
Reclassifications were made to the 2012 consolidated financial statements to conform to the 2013 presentation.

Intercompany Balances and Transactions
All significant intercompany balances and transactions have been eliminated in consolidation.

3. Program Receivables

At June 30, 2013 and 2012, program receivables amounted to $5,245,976 and $3,827,468 (net of allowance for uncollectible amounts of $67,147).

4. Pledges Receivable

Pledges receivable at June 30, 2013 are $2,918,566 (net of allowance for uncollectible amounts of $423,249); and $2,976,245 (net of allowance for uncollectible amounts of $305,042) at June 30, 2012. Approximately $1,924,000 is expected to be collected in less than one year and approximately $995,000 is expected to be collected within one to five years.

5. Grants Receivable

At June 30, 2013 and 2012, grants receivable amounted to $3,286,188 and $2,376,732. No allowance for doubtful accounts is required.

6. Investments

Authoritative guidance clarifies the definition of fair value, prescribes methods for measuring fair value, expands disclosure about the use of fair value measurements and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three levels. The following table presents the financial assets of the Agency that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy's three levels based on the reliability of the inputs used to determine fair value are as follows: Level 1 consisting of quoted prices in active markets for identical assets; Level 2 consisting of significant other observable inputs; and Level 3 consisting of significant unobservable inputs.

Investments consist of the following:

		Fair Value Measurements at June 30, 2013		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - equities	$ 158,324	$ 158,324	$ -	$ -
U.S. Government and agency debt securities	187,971	187,971	-	-
Investments - private company	98,565	-	-	98,565
Bank money market funds	256,699	256,699	-	-
	$ 701,559	$ 602,994	$ -	$ 98,565

		Fair Value Measurements at June 30, 2012		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - equities	$ 138,373	$ 138,373	$ -	$ -
U.S. Government and agency debt securities	186,525	186,525	-	-
Investments - private company	25,000	-	-	25,000
Bank money market funds	278,085	278,085	-	-
	$ 627,983	$ 602,983	$ -	$ 25,000

Investments in private companies which are classified as Level 3 assets represent Ohel's minority investment in two managed care companies.

Changes in Level 3 assets using significant unobservable inputs measured at fair value are as follows:

	Alternative Marketable Investments
Beginning balance - June 30, 2012	$ 25,000
Additions	73,565
Ending balance - June 30, 2013	$ 98,565

7. Property and Equipment

Property and equipment consists of the following as of June 30:

	2013	2012
Land	$ 5,173,198	$ 4,583,116
Building and improvements	39,443,267	39,045,543
Leasehold improvements	5,550,274	3,962,107
Furniture and fixtures	7,307,313	5,590,744
Construction-in-progress	197,642	1,473,765
	57,671,694	54,655,275
Less: accumulated depreciation	19,678,598	18,469,242
	$ 37,993,096	$ 36,186,033

Construction-in-progress in the amount of $197,642 at June 30, 2013 represents amounts incurred for renovations for new projects and locations that will be put in service during the fiscal year ending June 30, 2014. The Agency capitalized preliminary costs associated with the renovation of an individualized residential facility in the amount of $1,473,765 at June 30, 2012. Construction was completed and the residence was opened to residents during the fiscal year ended June 30, 2013.

8. Charitable Gift Annuity Trust

The Agency is identified as a beneficiary in two $100,000 annuity trusts as of June 30, 2013. Under conditions of the trust agreement, the donor retains the right to receive annuity distributions during the donor's lifetime. The liability to the donor is included in accounts payable and accrued expenses and is measured at the present value of the expected future cash flows to be paid to the donor, amounting to approximately $63,000. An actuarial loss of approximately $27,000 and $25,000 was incurred during the years ended June 30, 2013 and 2012, respectively, as the actual cash payments to the donor have exceeded $63,000. The present value of the liability was calculated using a discount rate of 8% and applicable mortality table.

9. Bank Lines of Credit Payable

The Agency has a bank revolving line of credit agreement expiring December 31, 2014, under the terms of which it may borrow up to $3,000,000 with interest at 0.5% above the bank's prime rate (prime was 3.25% at June 30, 2013) with a minimum rate of 5.0%. The Agency had outstanding $2,500,000 of the line at June 30, 2013 of which $500,000 was repaid on July 1, 2013 and an additional $800,000 on July 11, 2013.

The Agency had a bank revolving line of credit agreement which expired on July 3, 2013, under the terms of which it may borrow up to $6,500,000 with interest at 0.5% above the bank's prime rate (prime was 3.25% at June 30, 2013) with a minimum rate of 5.5%. The Agency had outstanding $6,500,000 of the line at June 30, 2013. On July 1, 2013, $6,500,000 was repaid. The line of credit was not renewed.

10. Mortgages and Bonds Payable

Unless otherwise specified, mortgages and bonds payable are secured by property and security interests in all fixtures, furnishings and equipment. Mortgages and bonds payable consist of the following as of June 30,:

	2013	2012
IDA Bond Payable – Series 1999A consists of annual installments including interest at 6.25% through 2022.	$ -	$ 2,790,000
IDA Bond Payable – Series 2004 A-1 consists of annual installments including interest at an average coupon rate of 4.05% through 2016.	340,000	453,000
Mortgage payable - Facilities Development Corporation ("FDC") consists of semi-annual installments of $63,700 including interest at 8.9% through 2017.	432,284	515,609
Mortgage payable - Dormitory Authority of the State of New York ("DASNY") consists of semi-annual installments of $74,032 including interest at 5.23% through 2022.	1,097,528	1,184,766
Bank mortgages payable held by affiliate (Etta) consists of monthly installments with fixed interest rates of 3.0% through May 2022.	419,506	-
Bank mortgage payable held by affiliate (Etta) consists of monthly installments with fixed interest rates of 6.0% through January 2015, then 5 year LIBOR swap +3.25% with a 6.0% floor due January 2040.	701,347	-
Bank mortgages payable – consists of monthly installments with fixed interest rates ranging from 4.875% to 8.5% through September 2024.	9,109,668	6,945,082
	$ 12,100,333	$ 11,888,457

The annual maturities of mortgages and bonds payable for each of the next five years and thereafter are approximately as follows:

Years Ending June 30,	
2014	$ 1,114,002
2015	1,157,728
2016	2,136,141
2017	1,004,597
2018	879,754
Thereafter	5,808,111
Total	$ 12,100,333

The mortgages with the FDC and DASNY effectively assign or collateralize the revenue of the underlying property as well as the property and all equipment or improvements made and restrict the use of property.

11. Notes Payable

Notes payable represent general operational loans.

Notes payable consist of the following as of June 30,:

	2013	2012
Note payable – with an individual payable due December 31, 2012 at the rate of 0.25% per annum.	$ -	$ 2,000,000
Note payable – with an individual payable due October 31, 2013 at the rate of 0.25% per annum (repaid in full September 10, 2013).	1,000,000	1,000,000
Note payable – third party, interest only payable semiannually at 6.5% with principal due February 28, 2015.	650,000	650,000
Note payable – finance company, interest only payable in monthly installments at 3% above prime (prime was 3.25% at June 30, 2013) with principal due on March 31, 2015. (repaid in full August 31, 2013).	500,000	500,000
Note payable – third party, interest only payable semiannually at 4.25% with principal due June 20, 2016.	500,000	500,000

Note payable – bank construction loan due January 5, 2014 at prime plus 1.5% but not lower than 4.75% which will convert to a long-term mortgage upon completion of construction.	859,612	814,718
Note payable – bank acquisition loan for equipment secured by receivable for equipment acquisition grant consists of interest payments only at 5.50% per annum due January 31, 2014.	582,321	-
Note payable – bank acquisition loan for property secured by receivable for property acquisition grant consists of interest payments only at 5.50% per annum due January 31, 2014.	672,000	-
Note payable – bank acquisition loan consists of equal monthly principal installments of $4,722 interest at 5.25% maturing March 1, 2016.	155,834	-
Note payable – bank acquisition loan consists of monthly principal installments of $5,833 plus interest at 8% maturing July 31, 2013.	8,334	100,000
Note payable – bank acquisition loan consists of monthly principal installments of $8,334 plus interest at 7% maturing September 30, 2014.	93,333	157,500
Loan payable to a related party, 0% interest, unsecured, payable in installments of $2,000 until paid, due August 2015.	100,000	-
Loans payable to related parties, no interest, unsecured, due on demand.	50,000	-
Loan payable to private party, no interest, unsecured, due on demand.	35,000	-
Loan payable to a related party, 0% interest, unsecured, payable in installments of $3,000, due December 2015.	90,000	-
Loan payable to a related party, 0% interest, unsecured, payable in a single balloon payment October 2014.	101,239	-
Loan payable to a related party, 0% interest, payable in semi-annual installments of $1,500 commencing December 2012 through June 2016, final installment of $2,000 in December 2016.	12,500	-

Loan payable to Disability Opportunity Fund, fixed rate installment note, 6.5% interest, unsecured, guaranteed by third party, payable in interest-only installments through January 2012, and installments of $373 from February 2012 through December 2014, and a balloon payment of $46,342 in January 2015.	48,190	-
Loan payable to Honda Financial Services, financing installment note, 1.9% interest, secured by an automobile costing $37,819 payable in installments of $662 until paid, due May 2017.	29,398	-
Loan payable to Honda Financial Services, financing installment note, 0.9% interest, secured by an automobile costing $38,005, payable in installments of $222 until paid, due June 2017.	10,451	-
Total Notes Payable	$ 5,498,212	$ 5,722,218

The annual maturities of notes payable for each of the next five years are as follows:

Years Ending June 30,	
2014	$ 4,079,147
2015	179,363
2016	1,202,291
2017	33,175
2018	4,236
Total	$ 5,498,212

12. Capital Lease Obligations Payable

Furniture and equipment capitalized pursuant to capital lease agreements amounted to $204,098 and $33,765 at June 30, 2013 and 2012, respectively. The related future minimum annual lease payments at June 30, 2013 are approximately as follows:

Years Ending June 30,	Total Amount	Principal Portion of Future Lease Payments
2014	$ 49,990	$ 44,015
2015	49,990	45,546
2016	49,990	47,131
2017	49,990	48,771
2018	4,138	4,138
Total payments	204,098	
Less amounts representing interest (with imputed rates of approximately 3.425%)	14,497	
Principal portion of future lease payments	$ 189,601	

13. Due to Governmental Agencies

Due to governmental agencies in the amount of $1,187,793 and $1,224,256 at June 30, 2013 and 2012, respectively, consists of the following:

Amounts due to the Office of Mental Health from excess Medicaid and contract revenue at June 30, 2013 and 2012 were approximately $969,000 and $1,109,000, respectively. Approximately, $269,000 and $466,000 at June 30, 2013 and 2012, respectively, relates to an industry issue that has been litigated and the Office of Mental Health is being repaid via monthly withholds through the normal course of contract reconciliations for amounts paid to providers in prior years. The balance of $700,000 and $643,000 at June 30, 2013 and 2012, respectively, represents advances and payments that will be repaid through the normal course of contract reconciliations.

At June 30, 2013 and 2012, amounts due to the Office for People with Developmental Disabilities ("OPWDD") of approximately $219,000 and $115,000, respectively, consist of advances to fund program services, renovation, construction and periodic maintenance. The amounts will be repaid through rate recoupment.

14. Related Parties

The Lifetime Care Foundation for Jewish Disabled, Inc. ("Lifetime"), a related party, prepaid expenses for services rendered by Ohel to Lifetime Care in the ordinary course of business, of approximately $50,000 and $46,000 at June 30, 2013 and 2012, respectively, which is included in other payables. Ohel and Lifetime are related due to overlapping board members and management.

15. Commitments and Contingencies

Government Funding
Pursuant to the Agency's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of the Agency involving transactions relating to these contracts. The accompanying consolidated financial statements make no provisions for possible disallowance.

In addition, certain agreements provide that some property and equipment owned by the Agency must be utilized by the Agency to continue owning these assets.

Real Property and Equipment Leases
The Agency is obligated, pursuant to various operating lease agreements for future minimum annual real property and equipment lease payments for the years ending, as indicated below. Rent and equipment lease expense for the years ended June 30, 2013 and 2012 amounted to approximately $2,800,000 and $3,005,000, respectively.

The Agency rents certain property to tenants on a month-to-month basis. For the years ended June 30, 2013 and 2012, rental income was approximately $451,000 and $299,000, respectively, and is included in other income in the statement of activities.

Rent commitments for the next five years and thereafter are as follows:

Years Ending June 30,	Total	Real Property	Equipment
2014	$ 1,798,022	$ 1,619,499	$ 178,523
2015	1,210,014	1,119,497	90,517
2016	935,519	900,905	34,614
2017	808,329	805,515	2,814
2018	569,939	569,939	-
Thereafter	1,198,440	1,198,440	-
Total	$ 6,520,263	$ 6,213,795	$ 306,468

16. Endowment

The Agency's endowment consists of one individual fund established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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

(1) The duration and preservation of the fund
(2) The purpose of the Agency and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Agency
(7) Where appropriate and circumstances would otherwise allow alternatives to expending of the endowment fund, given due consideration for the effect that such alternatives may have on the Agency; and
(8) The investment policies of the Agency.

Board designated net assets are designated for future capital expenses incurred with respect to the properties and improvements purchased with construction and capital grants earned during the current year.

Changes in Endowment Net Assets for the Year Ended June 30, 2013 were approximately as follows:

	Donor-Restricted Endowment Funds	Board Designated Endowment Funds	Total
Endowment net assets, beginning of year	$ 530,528	$ 11,081,821	$ 11,612,349
Contributions to endowment	-	-	-
Investment return:			
Interest and dividend income	10,418	-	10,418
Capital gains	-	-	-
Unrealized losses	16,164	-	16,164
Appropriation of endowment assets for expenditure	-	(597,510)	(597,510)
Endowment net assets, end of year	$ 557,110	$ 10,484,311	$ 11,041,421

Changes in Endowment Net Assets for the Year Ended June 30, 2012 were approximately as follows:

	Donor-Restricted Endowment Funds	Board Designated Endowment Funds	Total
Endowment net assets, beginning of year	$ 523,542	$ 9,846,000	$ 10,369,542
Contributions to endowment	5,085	1,522,000	1,527,085
Investment return:			
Interest and dividend income	8,174	-	8,174
Capital gains	2,696	-	2,696
Unrealized losses	(8,969)	-	(8,969)
Appropriation of endowment assets for expenditure	-	(286,179)	(286,179)
Endowment net assets, end of year	$ 530,528	$ 11,081,821	$ 11,612,349

17. Pension Plan

Ohel has a noncontributory defined benefit plan for all eligible employees. Benefits are based upon years of service and compensation. Prior to the June 30, 2007 fiscal year end, the Board of Directors adopted a resolution to curtail benefit accruals as of December 31, 2007.

A summary of Ohel's pension plan cost, employer contributions and benefits paid for the years ended June 30, is as follows:

	2013	2012
Net periodic pension costs	$ 213,839	$ 72,766
Employer contributions	$ 350,917	$ 386,000
Benefits paid	$ 369,421	$ 395,733

The measurement of the net periodic pension cost for the years ended June 30 is based on the following assumptions:

	2013	2012
Weighted-average discount rate	4.25%	5.00%
Weighted-average expected long-term rate of return on plan assets	7.50%	7.50%

The measurement of the benefit obligation at June 30, 2013 is based on the following assumptions:

	2013	2012
Discount rate	4.00%	4.25%
Rate of compensation increase	N/A	N/A

The Expected Long-Term Rate of Return on Plan Assets Assumption of 7.50% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection of Economic Assumptions for Measuring Pension Obligations. Based on Ohel's investment allocation for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30 year period rolling averages. An average inflation rate within the range equal to 3.75% was selected and added to the real rate of return range to arrive at a best estimate range of 6.40%-8.63%. A rate of 7.50% which is within the best estimate range was selected.

The funded status of Ohel's pension plan and the amounts reflected in the accompanying statement of financial position are as follows:

	2013	2012
Benefit obligation	$ 13,510,508	$ 13,262,195
Fair value of plan assets (primarily consisting of debt and equity securities)	10,711,730	9,793,091
Unfunded pension obligation	$ 2,798,778	$ 3,469,104
Accumulated benefit obligation	$ 13,510,508	$ 13,262,195

Benefit payments are expected to be paid as follows:

Years Ending June 30,	
2014	$ 2,953,000
2015	793,000
2016	664,000
2017	946,000
2018	1,023,000
2019-2023	3,417,000
	$ 9,796,000

Ohel's best estimate of their expected contribution to the plan for the year ending June 30, 2014 is $350,000.

The amounts represented on the line, pension related credits, other than net periodic costs within the statement of activities for the years ended June 30, 2013 and 2012 is comprised of assumption changes, actuarial losses and investment return adjustments. These amounts are not yet reflected in net periodic benefit cost.

The composition of Plan assets at June 30 is as follows:

	2013	2012
Equity	50.50%	49.50%
Fixed income	16.50%	17.00%
Cash and cash equivalents	33.00%	33.50%
	100.00%	100.00%

Pension plan assets are managed and invested by Mutual of America Capital Management Corporation. Contributions are invested predominantly in pooled investment funds, which offer the advantages of diversification and economics of scale. The investment guidelines allow for two asset classes, common stock and fixed income. The allowable range for each asset class is 40%-60%.

Fair Value Measurement
The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. Valuation techniques used to measure fair value are defined as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

- Level 2 - Inputs to the valuation methodology include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the assets or liabilities; and (d) 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.

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, 2013 and 2012:

- General Interest Accumulation Account: Valued at fair market value.
- Pooled Separate Accounts: Valued at fair market value of the underlying assets which represent the pooled accounts.

Assets at fair value as of June 30, 2013 are as follows:

	Level 1	Level 2	Level 3	Total
General interest accumulated account	$ -	$ 3,537,579	$ -	$ 3,537,579
Pooled separate accounts	-	7,174,151	-	7,174,151
Totaled assets at fair value	$ -	$10,711,730	$ -	$10,711,730

Assets at fair value as of June 30, 2012 are as follows:

	Level 1	Level 2	Level 3	Total
General interest accumulated account	$ -	$ 3,278,280	$ -	$ 3,278,280
Pooled separate accounts	-	6,514,811	-	6,514,811
Totaled assets at fair value	$ -	$ 9,793,091	$ -	$ 9,793,091

Voluntary Tax Deferred Retirement Savings
Ohel and Camp Ohel have established a voluntary tax deferred retirement savings plan available for their employees under Section 403(b) of the Internal Revenue Code. All employees of Ohel and Camp Ohel are eligible to participate and contribute a portion of their gross salaries up to the federal limit of $16,500 annually. Employer matching contributions are not provided for under this plan; however, eligible employees receive employer base contributions. There is no minimum age requirement to receive employer base contributions, however, employees must complete at least one year of service (a minimum of 1,000 hours of service in a twelve month period) to receive employer base contributions under this plan. Once eligible, an employee remains eligible.

Ohel contributes 2% of salary for all eligible employees with less than fifteen years of service and 3% of salary for employees with fifteen years or more of service. The value of an individual's account attributable to employer contributions vests as follows:

- Less than two years of service 0%
- 2 years of service 20%
- 3 years of service 40%
- 4 years of service 60%
- 5 or more years of service 100%

No contributions to the plan were made by Ohel or Camp Ohel for the years ended June 30, 2013 and 2012. Employer contributions were suspended for the period April 1, 2011 through June 30, 2013.

18. Income Taxes

Ohel and Camp Ohel are organized under the not-for-profit corporation law of the State of New York, and both have been granted their respective exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Ohel and Camp Ohel are each current with respect to their Federal and State income tax filing requirements. Etta is organized under Section 237019(d) of the California Revenue and Taxation Code and has been granted exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any issues or circumstances that would unfavorably impact the tax exempt status of either of the three entities. Management has determined that the Agency had no uncertain tax positions that would require financial statement recognition. The Agency is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to June 30, 2010.

19. Super Storm Sandy

Various Ohel residential homes suffered damages as a result of Super Storm Sandy. The net losses incurred to date after insurance, FEMA recoveries and fundraising grants is approximately $105,000. The Agency has applied for additional available grants to recover the balance of these costs, but is unable to determine if it will be successful in such endeavors.

20. Subsequent Events

The Agency has evaluated subsequent events through November 27, 2013, the date the consolidated financial statements were available for issuance and determined that there are no significant events other than those disclosed elsewhere in these consolidated financial statements.

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APPENDIX B-V

SERVICES FOR THE UNDERSERVED, INC.

AND

SUS-DEVELOPMENTAL DISABILITIES SERVICES, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2015, JUNE 30, 2014 AND JUNE 30, 2013)

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Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Financial Statements and Supplementary Information
Year Ended June 30, 2015

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Financial Statements and Supplementary Information
Year Ended June 30, 2015

Services for the UnderServed, Inc. and Affiliated Organizations

Contents

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Independent Auditor's Report

To the Board of Directors
Services for the UnderServed, Inc.
and Affiliated Organizations
New York, New York

We have audited the accompanying consolidated financial statements of Services for the UnderServed, Inc. and Affiliated Organizations ("SUS"), which comprise the consolidated statement of financial position as of June 30, 2015, 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.

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 Services for the UnderServed, Inc. and Affiliated Organizations as of June 30, 2015, 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

As discussed in Note 21 to the consolidated financial statements, Services for the Underserved, Inc. became the sole corporate member of Palladia, Inc. and each of its operating entities on December 4, 2014.

Our audit of the consolidated financial statements was conducted for the purpose of forming an opinion on those consolidated statements as a whole. The supplementary information presented on pages 32 through 35 of this report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The supplementary information marked “unaudited” and presented on pages 36 through 39 of this report is also presented for purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and we express no opinion on it.

BDO USA, LLP

November 30, 2015

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Financial Position
(in thousands)

June 30, 2015	
Assets	
Current:	
Cash and cash equivalents (Note 2)	$ 11,963
Accounts receivable, net of allowance for doubtful accounts of $2,476 (Notes 2 and 6)	28,935
Prepaid expenses and other assets (Note 3)	3,051
Total Current Assets	43,949
Due From Affiliates, Net (Note 11)	2,441
Restricted Cash and Investments (Notes 2 and 4)	6,351
Deferred Bond Financing Costs (Note 10)	808
Investments in Limited Partnerships (Note 2)	1,165
Fixed Assets, Net (Notes 2 and 5)	59,342
	$114,056
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable and accrued expenses	$ 12,355
Accrued compensation and related taxes	6,315
Other liabilities	1,710
Deferred revenue (Notes 2 and 14)	9,559
Due to governmental agencies (Notes 2 and 6)	4,671
Current portion of mortgages payable (Note 8)	1,215
Current portion of loan payable (Note 9)	750
Current portion of bonds payable (Notes 2 and 10)	1,170
Total Current Liabilities	37,745
Other Liabilities	1,544
Capital Advances From Funding Sources (Notes 2 and 20)	7,686
Due to Affiliates (Note 11)	2,517
Mortgages Payable (Note 8)	17,607
Loans Payable (Note 9)	400
Bonds Payable (Notes 2 and 10)	11,686
Total Liabilities	79,185
Commitments and Contingencies (Notes 7, 8, 9, 10, 12, 13, 16, 18, and 19)	
Net Assets:	
Unrestricted - operating	24,224
Unrestricted – acquisition	8,500
Total unrestricted net assets	32,724
Temporarily restricted (Note 15)	2,147
Total Net Assets	34,871
	$114,056

See accompanying notes to consolidated financial statements.

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Activities
(in thousands)

Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue:			
Medicaid income	$ 54,861	$ -	**$ 54,861**
Contract revenue	72,913	-	**72,913**
Rental income	859	-	**859**
Participant fees	10,716	-	**10,716**
Contributions	664	275	**939**
Special events:			
Gross receipts	671	-	**671**
Less: Cost of special events	(312)	-	**(312)**
Management fees (Note 11)	728	-	**728**
Other	2,068	-	**2,068**
Net assets released from restrictions (Note 15)	717	(717)	**-**
Total Public Support and Revenue	143,885	(442)	**143,443**
Expenses:			
Program services:			
SUS – Mental Health Programs, Inc.	44,905	-	**44,905**
SUS – Developmental Disabilities Services, Inc.	46,152	-	**46,152**
SUS – AIDS Services, Inc.	5,303	-	**5,303**
SUS – Urgent Housing Programs, Inc.	6,695	-	**6,695**
Palladia, Inc. and Operating Affiliates	25,662	-	**25,662**
Total Program Services	128,717	-	**128,717**
Supporting services:			
Fundraising	423	-	**423**
Management and general	11,617	-	**11,617**
Total Supporting Services	12,040	-	**12,040**
Total Expenses	140,757	-	**140,757**
Excess (Deficiency) of Public Support and Revenue Over Expenses Before Other Changes	3,128	(442)	**2,686**
Other Changes:			
Contributions from acquisition (Note 21)	8,457	43	**8,500**
Acquisition - related costs	(406)	-	**(406)**
Expense - Home Attendant Program, Inc. (Note 17)	(48)	-	**(48)**
Transfer to funding sources (Note 17)	48	-	**48**
Gain on sale of property (Note 5)	2,857	-	**2,857**
Change in Net Assets Before Transfer in of Net Deficit	14,036	(399)	**13,637**
Transfer in of Net Deficit (Note 22)	(19)	-	**(19)**
Net Assets, Beginning of Year	18,707	2,546	**21,253**
Net Assets, End of Year	**$ 32,724**	**$2,147**	**$ 34,871**

See accompanying notes to consolidated financial statements.

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Functional Expenses
(in thousands)

Year ended June 30, 2015

	Program Services						Supporting Services			Total
	SUS - Mental Health Programs, Inc.	SUS - Developmental Disabilities Services, Inc.	SUS - AIDS Services, Inc.	SUS - Urgent Housing Programs, Inc.	Palladia Inc. and Operating Affiliates	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salaries and Related Expenses:										
Salaries	$16,553	$23,257	$2,005	$2,440	$10,509	$ 54,764	$ 268	$ 4,452	$ 4,720	**$ 59,484**
Fringe benefits	3,722	7,165	437	539	2,848	14,711	57	833	890	**15,601**
Total Salaries and Related Expenses	20,275	30,422	2,442	2,979	13,357	69,475	325	5,285	5,610	**75,085**
Other Expenses:										
Client incidentals and services	1,944	153	10	6	738	2,851	-	7	7	**2,858**
Computer operations	1,235	1,140	119	95	331	2,920	9	396	405	**3,325**
Food	359	851	16	200	1,126	2,552	-	5	5	**2,557**
Insurance	467	536	29	64	163	1,259	-	244	244	**1,503**
Interest and bank charges	364	448	-	-	-	812	-	1,239	1,239	**2,051**
Miscellaneous	249	447	2	4	250	952	14	200	214	**1,166**
Professional fees and staffing	2,020	1,308	94	77	510	4,009	15	1,453	1,468	**5,477**
Real estate and facilities	13,235	3,010	2,260	1,843	7,280	27,628	2	846	848	**28,476**
Security services	1,327	61	159	901	1,182	3,630	-	14	14	**3,644**
Supplies	782	796	56	142	255	2,031	29	541	570	**2,601**
Temporary labor	800	3,915	17	285	-	5,017	25	468	493	**5,510**
Transportation	427	1,839	31	58	308	2,663	4	96	100	**2,763**
Bad debt expense	200	-	-	-	-	200	-	117	117	**317**
Total Expenses Before Depreciation and Amortization	43,684	44,926	5,235	6,654	25,500	125,999	423	10,911	11,334	**137,333**
Depreciation and Amortization	1,221	1,226	68	41	162	2,718	-	706	706	**3,424**
Total Expenses	**$44,905**	**$46,152**	**$5,303**	**$6,695**	**$25,662**	**$128,717**	**$423**	**$11,617**	**$12,040**	**$140,757**

See accompanying notes to consolidated financial statements.

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidated Statement of Cash Flows
(in thousands)

Year ended June 30, 2015	
Cash Flows From Operating Activities:	
Change in net assets	**$ 13,637**
Transfer in of net deficit	**(19)**
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	**3,234**
Amortization of deferred bond financing cost	**190**
Acquisition related transactions	**(8,500)**
Gain on sale of property	**(2,857)**
Provisions for bad debt	**317**
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	**(7,370)**
Prepaid expenses and other assets	**2,526**
Due from affiliates	**3,262**
Increase (decrease) in:	
Accounts payable and accrued expenses	**3,127**
Accrued compensation and related taxes	**1,105**
Due to affiliates	**(5,252)**
Other liabilities	**(275)**
Deferred revenue	**6,334**
Due to governmental agencies	**2,580**
Net Cash Provided By Operating Activities	**12,039**
Cash Flows From Investing Activities:	
Cash acquired from acquisition	**2,862**
Purchases of fixed assets	**(4,348)**
Proceeds from sale of property	**10,500**
Net Cash Provided By Financing Activities	**9,014**
Cash Flows From Financing Activities:	
Change in restricted cash and investments	**792**
Payments of line of credit	**(11,523)**
Proceeds from line of credit	**4,867**
Payments of mortgages payable	**(11,835)**
Payments of loans	**(600)**
Payments of bond principal	**(5,343)**
Proceeds from issuance of bonds (net of bond premium)	**6,626**
Payments of deferred bond financing cost	**(43)**
Net Cash Used In Financing Activities	**(17,059)**
Net Increase in Cash and Cash Equivalents	**3,994**
Cash and Cash Equivalents, Beginning of Year	**7,969**
Cash and Cash Equivalents, End of Year	**$ 11,963**
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	**$ 1,336**

See accompanying notes to consolidated financial statements.

1. Nature of Organization

Services for the UnderServed, Inc. ("SUS Inc.") was established in 1978 as a not for profit organization and is a leading provider of social services and housing in New York City. Together with its affiliates, SUS Inc. works toward a city where everyone has a roof over their head, is healthy and productive and can enjoy the social connections that create a life of purpose. SUS Inc. and affiliated organizations ("SUS") are supported by various local, state and federal government entities as well as foundations, corporations and individual donors.

The overarching vision of SUS is to deliver the same quality of services to one individual or to thousands. By delivering high quality services that address the complex circumstances of each person, SUS helps transform lives, improve neighborhoods and boost future generations.

SUS' Intellectual/Developmental Disabilities Services support people to:

- Live and receive services in the community of their choice.
- Build and enjoy social connections through productive community participation.
- Deepen relationships with friends, family and others in their lives.
- Direct their own lives and experience life to its fullest potential.

SUS' Homeless Services support individuals and families through:

- Anti-eviction assistance.
- Pathways to housing and employment.
- Case management for people living on the streets.

SUS' Housing Services are committed to providing:

- Transitional and permanent housing for adults in recovery from mental illness, or with substance abuse challenges, or living with HIV/AIDS.
- Safe environments that promote independent living.
- Support and tools to move beyond diagnosis and stigma.
- A steady and growing pipeline of permanent low-income housing.

SUS' Behavioral Health Services are comprehensive and:

- Are offered in a manner that is respectful and highly supportive.
- Acknowledge the informed choice of each individual.
- Are grounded in evidence-based practice.
- Are delivered through in-patient, outpatient and community based settings.

SUS' Veterans Services address the challenge of re-integration and suicide risk due to:

- The effects of chronic homelessness and unemployment.
- Untreated post-traumatic stress syndrome.
- Disconnection from families and social supports.

SUS' Urban Farms Program has:

- More than 20 growing spaces including seven community farms.
- An annual yield that includes fruits, vegetables, herbs and mushrooms, along with honey from beekeeping.

These services are summed up as "Opportunity for All".

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of SUS Inc. and affiliated organizations which are affiliated through common Board membership, common management and/or common ownership. The consolidated financial statements also include the activities of the recently acquired Palladia, Inc. and its affiliated organizations from December 4, 2014 ("acquisition date") to June 30, 2015. All material intercompany transactions and balances have been eliminated.

SUS Inc. is a 501(c)(3) corporation and is the sole member of eleven affiliated 501(c)(3) entities which operate its programs. Two of the affiliated entities are the sole shareholders of housing development fund corporations established for the purpose of developing supportive and affordable housing projects. The consolidated financial statements include the accounts of SUS Inc., the affiliated entities and the housing development fund corporation subsidiaries.

The 501(c)(3) affiliated entities are:

- SUS – Developmental Disabilities Services, Inc.
- SUS - Mental Health Programs, Inc.
- SUS - AIDS Services, Inc.
- SUS – Urgent Housing, Inc.
- SUS – Home Attendant Program, Inc.- discontinued operation
- SUS – Home Care Services, Inc.
- SUS – Foundation Inc. – No activity for the year ended June 30, 2015

On December 4, 2014, SUS Inc. entered into a membership transaction and became sole member of Palladia, Inc. and several Palladia Affiliates (collectively "Palladia"). The programs of SUS Inc. and Palladia are complimentary and, after the acquisition, the operations of SUS Inc. and Palladia were integrated. SUS Inc. became the sole member of the following 501(c)(3) entities:

- Palladia, Inc.
- Palladia Housing Corporation
- Palladia Year 15, Inc.
- Palladia Philanthropies, Inc.

The net assets of Palladia as of December 4, 2014 acquired by SUS, Inc. were recorded using acquisition accounting principles for not-for-profit entities. Purchase consideration comprises the assumption of Palladia's assets and liabilities. The consolidated statement of activities of SUS for the year ended June 30, 2015 includes the result of Palladia for the seven-month period ended June 30, 2015.

SUS - Developmental Disabilities Services, Inc. operates the programs of SUS in intellectual/ developmental disabilities.

SUS - Mental Health Programs, Inc. operates the programs of SUS in behavioral health, Veterans' Services and housing.

SUS - AIDS Services Inc. operates the programs of SUS in homeless and treatment services for individuals living with HIV/AIDS.

SUS - Urgent Housing Inc. operates the programs of SUS in homeless services for individuals and families.

SUS - Home Attendant Program, Inc.'s operation was discontinued. It formerly operated a home attendant program for the elderly under a funding contract with New York City Human Resources Administration. The contract terminated in March 2011 and the contract close-out provisions are in the process of being executed.

SUS - Home Care Services Inc. is dormant.

SUS Foundation Inc. is dormant. Philanthropy and fundraising activities flow through SUS, Inc.

Palladia Inc. operates programs in homeless services, behavioral health and housing.

Palladia Housing Corporation owns personal and real property acquired by grant, contribution or purchase. At the acquisition date, the HQ building of Palladia was the major asset and the mortgage was the major liability of Palladia Housing Inc. The other property of Palladia Housing Inc. is made available to the programs operated by Palladia Inc.

Palladia Year 15, Inc. was organized to hold the acquired interest in affordable housing projects developed under the Federal low income housing credit program. As of the acquisition date, Palladia Year 15, Inc. had no assets or liabilities and there was no activity for the seven months ended June 30, 2015.

Palladia Philanthropies, Inc. receives contributions and awards from foundations, individuals and the net proceeds of fundraising events. The net funds received are utilized to support the programs of Palladia Inc. There were no fundraising events for the seven months ended June 30, 2015.

SUS Inc. is the sole member of SUS - Mental Health Programs Inc. which, in turn, is sole shareholder of five Housing Development Fund Corporations as follows:

New Life Homes HDFC ("NLHHDFC") was organized to own, construct and operate a 55-unit housing project providing supportive and affordable housing to low-income individuals some of whom meet other eligibility criteria. NLHHDFC holds all of the shares of New Life Homes Inc. which is the general partner of New Life Homes Limited Partnership ("NLHLP"). New Life Homes Inc. has a 0.01% interest in NLHLP while National Equity Find – 1999 Limited Partnership, the limited partner, has a 99.99% interest. NLHHDFC has transferred beneficial ownership in the project to NLHLP.

Macombs Road HDFC ("MRHDFC") was organized to own, construct and operate a 48-unit housing project providing supportive housing to low-income individuals some of whom meet other eligibility criteria. MRHDFC holds all of the shares of Macombs Road Housing G.P. Inc. ("MRHGP") which is the general partner of Macombs Road Housing Limited Partnership ("MRHLP"). MRHGP has a 0.01% interest in MRHLP while Enterprise BB Fund I, Limited Partnership, the limited partner, has a 99.99% interest. MRHDFC has transferred beneficial ownership in the project to MRHLP.

Mother Gaston HDFC ("MGHDFC") was organized to own, construct and operate a 49-unit housing project providing supportive and affordable housing to low-income individuals some of whom meet other eligibility criteria. MGHDFC holds all of the shares of Mother Gaston Housing G.P. Inc. ("MGHGP") which is the general partner of Mother Gaston Housing Limited Partnership ("MGHLP"). MGHGP has a 0.01% interest in MGHLP while Richman Asset Management Inc., the limited partner, has a 99.99% interest. MGHDFC has transferred beneficial ownership in the project to MGHLP.

21 Truxton Street HDFC ("TSHDFC") was organized to own, construct and operate a 48-unit housing project providing supportive housing to low-income individuals some of whom meet other eligibility criteria. TSHDFC holds all of the shares of 21 Truxton Street G.P. Inc. ("TSGP") which is the general partner of 21 Truxton Street L.P. ("TSLP"). TSGP has a 0.01% interest in TSLP while Bank of America Housing Fund IX Limited Partnership, the limited partner, has a 99.99% interest. TSHDFC has transferred beneficial ownership in the project to TSLP.

Undercliff HDFC was incorporated on November 24, 2014 to purchase and develop the property located at 1434 Undercliff Avenue, Bronx, New York. The property and associated debt will be transferred in the future to a limited partnership. Undercliff HDFC will be the sole shareholder of the corporation that will act as general partner of the limited partnership. The limited partner will be an equity investor.

SUS Inc. is sole member of Palladia Inc. which, in turn, is sole shareholder of ten Housing Development Fund Corporations as follows;

Dreitzer Housing Development Fund Corporation ("DHDFC") was organized to own, construct and operate a 37-unit housing project providing permanent housing for low-income families who also meet other eligibility criteria. DHDFC transferred beneficial ownership to Dreitzer Partnership ("DLP") which operates the project. DHDFC holds all of the shares of Dreitzer Corp. ("DC"), the general partner of DLP, which has a 0.01% interest in DLP. Pursuant to an assignment and assumption agreement dated March 2013, Palladia, Inc. acquired the 99.99% limited partnership interest in DLP from the withdrawing limited partner.

Cedar Tremont Housing Development Fund Corporation ("CTHDFC") was organized to own, rehabilitate and operate a housing project providing permanent housing to low-income families who also meet other eligibility criteria. The facility houses seventeen families. CTHDFC transferred beneficial ownership to Cedar Tremont Limited Partnership ("CTLP") which operates the project. CTHDFC holds all of the shares of Tremont Cedar Corp. ("TCC"), the general partner of CTLP, which has a 0.01% interest in CTLP. On November 24, 2014, Palladia, Inc. entered into an amended and restated agreement with CTLP. The amended agreement reflects the withdrawal of Corporate Housing Initiatives II Limited Partnership, the limited partner holding a 99.99% limited partnership interest in CTLP, and admission of Palladia Inc. as the substitute limited partner.

Hill Housing Development Fund Corporation ("HHDFC") was organized to develop, own, construct and operate a housing project providing permanent housing to low-income individuals who also meet other eligibility criteria. The project consists of 43 studio units. HHDFC has transferred beneficial ownership of the project to HHLP which operates the project. HHDFC holds all of the shares of Hill House Associates ("HHA"), the general partner of HHLP, which has a 0.01% interest in HHLP. On June 23, 2014, Palladia Inc. entered into an amended and restated agreement with HHLP. The amended agreement reflects the withdrawal of Enterprise Housing Partners 1995 Limited Partnership, the limited partner holding a 99.99% limited partnership interest in HHLP and admission of Palladia Inc. as the substitute limited partner.

Project Return Housing Development Fund Corporation is dormant.

Jerome Housing Development Fund Corporation ("JHDFC") was organized to own, rehabilitate, and operate a 40-unit housing project providing permanent housing to low-income individuals who also meet other eligibility criteria. JHDFC has transferred beneficial ownership of the project to Jerome Court Limited Partnership ("JCLP") which operates the project. JHDFC holds all of the shares of Jerome Court Associates ("JCA"), the general partner of JCLP. JCA has a 0.01% interest in JCLP while Corporate Housing Initiatives III, L.P has a 99.99% interest.

Boston Post Road Housing Development Fund Corporation ("BPRHDFC") was organized to own, rehabilitate and operate a 20-unit housing project providing permanent housing to low-income families and who also meet other eligibility criteria. BPRHDFC holds all of the shares of Aegis III Development Corp. ("ADC"), the general partner of 1368 Boston Post Road Associates, L.P. ("BPRLP"), which operates the project. BPRHDFC has transferred beneficial ownership in the project to BPRLP. BPRHDFC has a 0.01% interest in BPRLP while The Housing Outreach Fund IX, L.P. has a 99.99% interest.

Stratford Housing Development Fund Corporation ("SHDFC") was organized to own, rehabilitate and operate a 60-unit housing project providing permanent housing to low-income families who meet other criteria. SHDFC holds all of the shares of 1168 Stratford Corporation ("1168"), the general partner of Stratford Limited Partnership ("SLP"), which operates the project. SHDFC has transferred beneficial ownership in the project to SLP. 1168 has a 0.01% interest in SLP while MCDC Community Development LP II has a 49.995% interest and MLL Community Development L.P. also has a 49.995% interest.

17th Street Housing Development Fund Corporation ("17HDFC") was organized to own, rehabilitate and operate an 18-unit building providing permanent housing to low-income individuals and who also meet other eligibility criteria. 17HDFC holds all of the shares of Chelsea Court Associates, Inc. ("Chelsea Court"), the general partner of Chelsea Limited Partnership ("CLP"), which operates the project. 17HDFC has transferred beneficial ownership in the project to CLP. Chelsea Court has a 0.01% interest in CLP while the Housing Outreach Fund IX L.P. has a 99.99% interest.

Flora Vista Housing Development Fund Corporation ("FVHDFC") was organized to own, construct and operate a 20-unit building providing permanent housing to low-income individuals and who also meet other eligibility criteria. FVHDFC holds all of the shares of Flora Vista Development Corp. ("FVDC"), the general partner of Flora Vista Limited Partnership ("FVLP"), which operates the project. FVHDFC has transferred beneficial ownership in the project to FVLP. FVDC has a 0.01% interest in FVLP while The Housing Outreach Fund IX L.P. has a 99.99% interest.

Westchester Gardens Housing Development Fund Corporation ("WGHDFC") was organized to own, construct and operate a 48-unit housing providing permanent housing to low-income individuals and families, some of whom meet other eligibility criteria. WGHDFC holds all of the shares of Westchester Gardens Associates ("WGA"), the general partner of Westchester Gardens L.P. ("WGLP"), which operates the project. WGHDFC has transferred beneficial ownership in the project to WGLP. WGA has a 0.01% interest in WGLP while the housing fund XII Limited partnership has a 99.99% interest.

The accounts of the Housing Development Fund Corporations and the General Partnerships are included in the consolidating financial statements of SUS Inc.

Pursuant to the assignment and assumption agreements, Palladia, Inc. was substituted as the limited partner in three limited partnerships. Consequently, SUS Inc. has substantial participating rights in DHLP, CTLP and HHLP and the accounts of these limited partnerships are included in the consolidated financial statements of SUS Inc.

The limited partners in ten limited partnerships disclosed above have substantial participating rights, including participation in major decisions in the ordinary course of business. The accounts of the ten limited partnerships are not included in the consolidated financial statements of SUS Inc. Summarized schedules of financial position, activities and cash flow are included in the supplementary information marked "unaudited".

(b) Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

(c) 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 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 SUS is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of SUS.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by SUS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of SUS 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 consolidated statement of activities.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. SUS breaks out the increase in net assets from acquisitions as unrestricted acquisition net assets.

(d) Cash and Cash Equivalents

SUS considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(e) Restricted Cash and Investments

Restricted cash and investments include assets set aside by SUS for future long-term purposes.

Net investment income (including realized and unrealized gains on trading investments, interest and dividends) is included in the consolidated statement of activities under the caption, "excess of public support and revenues over expenses before other changes", unless the income is restricted by donor or law.

(f) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of the assets are as follows:

Buildings and building improvements	25-40 years
Leasehold improvements	25 years
Furniture and equipment	3-7 years
Vehicles	3-7 years

(g) Revenue Recognition

Revenue from governmental grants is recognized as the expenditures for each contract are incurred. All grant monies received in excess of revenue earned are recorded as deferred revenue. Revenue from fees for service programs is recognized when earned (services are provided daily and/or monthly).

Reimbursements are subject to audit and retroactive adjustment by the respective third party fiscal intermediary. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

SUS receives Supplemental Security Income ("SSI") and Social Security Income ("SSA") payments for some program participants. A portion of the SSI/SSA payments represents the participants' contributions toward the cost of goods and services and is recognized as revenue when received. The remaining portion of SSI/SSA represents the participants' personal allowance and is recognized as a liability due to clients.

Participant fees represent the participant's personal contribution towards the cost of goods and services SUS is allowed to charge as regulated by Federal and state law.

Net patient service revenue is reported at the estimated net realizable amounts due 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 the related services are rendered and adjusted in future periods, as final settlements are determined.

Rental income includes tenant payments and tenant assistance payments less rental vacancies and is recognized as rental income becomes due. Subsidy overages are recorded as liabilities until recouped. All leases between SUS and the tenants of the property are operating leases.

Management fees include fees to administer various low income housing tax projects. These amounts are recognized when incurred.

(h) Contributions and Promises to Give

Contributions and promises to give are recorded as revenue when either unsolicited cash is received or when donors make a promise to give. Contributions and promises to give are classified as either unrestricted, temporarily restricted, or permanently restricted support.

Contributions of property and equipment are recorded at the fair market value of the property and equipment at the time of contribution.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

(i) Capitalized Financing Costs

Financing costs related to the acquisition and refinancing of bonds and mortgages have been capitalized and are being amortized on a straight-line basis over the terms of the bonds and mortgages.

(j) Use of Estimates

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(k) Concentration of Credit Risk

The financial instruments that potentially subject SUS to concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions which, from time to time, exceed the Federal Deposit Insurance Coverage ("FDIC") limit. SUS has not experienced any losses in such accounts, and management does not believe SUS is exposed to any significant credit risk on cash and cash equivalents. SUS believes it has minimal credit risk with respect to accounts and contracts receivable.

(l) Due to Governmental Agencies

Due to governmental agencies consist of operational advances, retroactive rate adjustments and advances received from Office for People With Developmental Disabilities ("OPWDD"), New York State Office of Mental Health ("OMH"), the New York State Department of Health ("DOH") and other advances due to the New York City Human Resources Administration ("HRA"). OPWDD recoups the excess advances through withholdings from Medicaid remittances over a specified period of time.

(m) Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring fair value and expands the disclosures about fair value measurements and define 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. The fair value hierarchy 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. SUS classifies 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.

(n) Income Taxes

SUS 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 upon examination by a taxing authority. SUS does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The remaining entities have filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the remaining entities have filed Internal Revenue Service Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2015, there was no interest or penalties recorded or included in the consolidated statement of activities. SUS is subject to routine audits by a taxing authority. As of June 30, 2015, SUS was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to 2012. In addition, the remaining entities have 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 June 30, 2015.

The corporations whose sole function is to serve as the general partner in the limited partnerships noted in Note 2(a) are for-profit entities and are subject to Federal and New York State Corporation taxes. Four of the Housing Development Fund Corporations (DHDFC, HHDFC, JHDFC and WGHDFC) are incorporated under New York State housing development law as not-for-profit corporations. They are subject to Federal corporation taxes. None of the forgoing entities are currently active and, consequently, no Federal tax liability has been provided. The remaining entities are exempt from tax as not-for-profit corporations under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and, therefore, have made no provision for income taxes in the accompanying consolidated financial statements.

(o) Long-Lived and Depreciable Assets

Contracts with funding agencies generally provide that purchases of fixed assets are expensed at the time of acquisition for cost reporting and reimbursement purposes although certain contracts contain reversion of title or similar provisions with respect to fixed assets purchased under the contract, principally in the event of early termination of the agreements or cancellation of the programs. For financial reporting purposes, such acquisitions are capitalized and depreciated over their estimated useful lives. Since the ongoing operation of SUS’s programs is assumed, the resulting net assets are presented in the consolidated financial statements as unrestricted.

Contributions 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.

(p) Impairment of Long-Lived Assets

SUS reviews long-lived assets, including property and equipment and intangible 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 estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There were no impairment losses recognized for long-lived assets as of June 30, 2015.

(q) Deferred Revenue

Deferred revenue relates to preoperative costs through June 30, 2015 incurred by SUS to run programs and construction of new facilities. The funding source advances SUS for said costs based on a budget submitted. The final payment is based upon actual expenditures.

(r) Cost Allocation

Management and general expenses include expenditures for the overall direction of SUS, general recordkeeping, business management, budgeting and related purposes. Such expenses are allocated to individual programs for cost reporting and reimbursement purposes in proportion to the direct program expenses incurred. Certain other shared program expenses are allocated to individual programs using specific allocation methods.

(s) Accounts Receivable, Net

Accounts receivable have been adjusted to the estimated amounts expected to be collected. A substantial amount of this receivable is from third-party reimbursement agencies. SUS provides an allowance for doubtful accounts based upon prior experience and management's assessment of collectability of specific accounts.

(t) Related Party Transactions

Certain entities provide services and advances to other entities within SUS. These receivables are noninterest bearing and due on demand. Certain receivables and payables are eliminated in consolidation.

(u) Adoption of Accounting Pronouncements

In connection with the acquisition of Palladia, Inc., SUS, Inc. adopted Accounting Standards Update ("ASU") No. 2010-07, "*Not-for-Profit Entities Mergers and Acquisitions*", and ASU No. 2014-17, "*Pushdown Accounting*". The adoption of ASU No. 2010-07 resulted in an inherent contribution of $8,500 for SUS Inc. In accordance with ASU No. 2014-17, the individual entities acquired by SUS Inc. recorded the fair market value for tangible assets acquired relating to land and building.

(v) Investment in Limited Partnerships

Noncontrolling Limited Partners' interest in the ten non-consolidated limited partnerships disclosed above represents the profits or losses of the ten non-consolidated limited partnerships allocated to the general partners for that period. The Limited Partners' interest included in SUS' consolidated statement of financial position represents the undistributed profits or losses and the capital of the Limited Partnerships owned by the general partners.

(in thousands)

3. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consists of the following:

June 30, 2015	
Security deposits	$1,706
Prepaid expenses	988
Dormitory Authority of the State of New York surplus funds	326
Other assets	31
	$3,051

4. Restricted Cash and Investments

(a) Restricted Cash

Restricted cash and investments consist of the following:

June 30, 2015	
Bond escrow fund	$ 77
Debt service reserve and restricted deposits	6,274
	$6,351

Debt service reserve represents funds held by OPWDD, OASAS, U.S. Bank and Bank of New York Mellon (collectively, the "Trustee"). These funds will be applied to the last payment required on the mortgages with the Facilities Development Corporation ("FDC") and bonds due to the Dormitory Authority of the State of New York ("DASNY") and NYC Industrial Development Agency ("IDA"). This reserve will earn interest which will be used to offset SUS's obligations. As of June 30, 2015, the Trustee has $1,448 in debt service reserve.

Bond escrow fund represents funds held by U.S. Bank and Bank of New York Mellon. These funds will be applied to principal and interest payments associated with DASNY and IDA bonds. As of June 30, 2015, the Trustee has $77 in bond escrow funds.

Restricted deposits represent funds held due to various regulatory agreements and mortgage loan documents that require SUS to maintain certain restricted deposit accounts. The restricted deposits are funded for the purpose of paying interest, tax, insurance, principal payments and building and property replacement expenses. As of June 30, 2015, restricted deposits held were $4,826.

(b) Investments

SUS's financial assets carried at fair value and have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2(k) for a discussion of SUS's policies regarding this hierarchy.

SUS's publicly-traded U.S. Treasury money market funds, U.S. Treasury bills and U.S. Treasury notes are carried at their aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily. The valuation of these investments is based on Level 1 inputs within the hierarchy used in measuring fair value.

(in thousands)

SUS's holdings in publicly-traded fixed income securities consist of U.S. government-sponsored agency securities and corporate bonds. SUS's Trustee prices these investments using nationally recognized pricing services. Since fixed income securities other than U.S. Treasury securities generally do not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using their proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. The valuation of these investments is based on Level 2 inputs within the hierarchy used in measuring fair value.

Investments in mutual funds are classified as Level 1 investments as valuations are obtained from real time quotes for transactions in active markets involving identical assets. SUS uses net asset value ("NAV") as estimates of fair value as a practical expedient.

There were no changes in valuation methodologies as of June 30, 2015.

The following table presents the level within the fair value hierarchy at which SUS's financial assets are measured on a recurring basis at June 30, 2015:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance as of June 30, 2015
Assets			
Cash and money market funds	$2,546	$ -	$2,546
Mutual funds	445	-	445
Corporate bonds	-	806	806
U.S. government obligations	1,571	983	2,554
Total assets	$4,562	$1,789	$6,351

5. Fixed Assets, Net

Major classes of fixed assets, net consist of the following:

June 30, 2015	
Land	$ 12,695
Building and building improvements	88,396
Leasehold improvements	2,204
Furniture and equipment	7,235
Vehicles	312
Total fixed assets	110,842
Less: Accumulated depreciation and amortization	(51,500)
Fixed assets, net	$ 59,342

For the year ended June 30, 2015, depreciation and amortization expense was $3,424.

(in thousands)

On May 28, 2015, the former headquarters of Palladia, Inc. was sold. The sale price of the property was $10,500 resulting in a gain of $2,857. The expenses associated with the sale were $601. Part of the proceeds of the sale were utilized to pay off the bond secured by a mortgage on Palladia, Inc.'s headquarter property. The pay-off amount was $8,364.

6. Due to Governmental Agencies

Due to governmental agencies consists of the following:

June 30, 2015	
Refundable surplus income generated from programs	$ 987
Other advances due to OPWDD	3,684
	$4,671

7. Lines of Credit

SUS had a $6,000 working capital line of credit with Bank of America. The line of credit matured on February 2, 2015. There was no outstanding amount as of June 30, 2015.

SUS also had a $4,000 acquisition line of credit with Bank of America. The line of credit matured on February 2, 2015. There was no outstanding amount as of June 30, 2015.

On March 27, 2015, SUS entered into an agreement with Bank of America for a $14,000 credit facility consisting of a $10,000 revolving line of credit and a $4,000 term loan. The revolving line of credit commitment and the term loan commitment will both terminate on January 29, 2016. SUS can elect to borrow at prime rate plus the applicable margin for prime rate loans or at LIBOR plus the applicable margin for LIBOR loans upon sending a written notice to the Bank of America. There is a non-refundable facility fee in the amount equal to .75% of the original principal amount of such term loan. In addition, there is an "Unused Fee" equal to .25% of the average daily unused balance of the revolving line of credit commitment amount and the term loan commitment amount and shall be payable quarterly. As of June 30, 2015, SUS had a balance of $-0- under this credit facility. Pursuant to the agreement, SUS shall have a debt service coverage ratio of not less than 1.20 to 1.00 for the three month period ending March 31, 2015, for the six month period ending June 30, 2015, for the nine month period ending September 31, 2015 and for the twelve month period ending December 31, 2015. SUS shall also have a Liquidity Ratio of not less than 0.75 to 1 as of the last day of each fiscal quarter, beginning with the fiscal quarter ending March 31, 2015.

(in thousands)

8. Mortgages Payable

Mortgages payable consist of the following:

Mortgage payable to DASNY - OMH, due December 1, 2015, payable in semiannual payments of $40, including interest at 7.72% per annum, secured by real estate located on Patchen Avenue, Brooklyn, New York	$ 36
Mortgage payable to DASNY - OMH, due June 1, 2019, payable in semiannual payments of $56, including interest at 6.21% per annum, secured by real estate located on St. Marks Avenue, Brooklyn, New York	391
Mortgage payable to DASNY - OMH, due June 1, 2019, payable in semiannual payments of $47, including interest at 6.20% per annum, secured by real estate located on Patchen Avenue, Brooklyn, New York	331
Mortgage payable to DASNY - OMH, due December 1, 2020, payable in semiannual payments of $144, including interest at 5.58% per annum, secured by real estate located on Knickerbocker Avenue, Brooklyn, New York	1,348
Mortgage payable to DASNY - OMH, due June 1, 2023, payable in semiannual payments of $33, including interest at 5.40% per annum, secured by real estate located on Classon Avenue, Brooklyn, New York	$ 427
Mortgage payable to DASNY - OMH, due June 1, 2022, payable in semiannual payments of $272, including interest at 5.27% per annum, secured by real estate located on Beach 85th Street, Queens, New York	3,151
Mortgage payable to FDC, due August 15, 2018, payable in semiannual debt service and administrative fee payments of approximately $30, including interest at 6.16% per annum, secured by real estate located on Cornelia Street, Brooklyn, New York.	97
Mortgage payable to FDC, due August 15, 2018, payable in semiannual debt service and administrative fee payment of approximately $33, including interest at 6.16% per annum, secured by real estate located on 45th Avenue, Flushing, New York.	160
Mortgage note payable to DASNY with a $3,667 face amount, due August 15, 2017. The mortgage is payable in semiannual installments with interest at 5.46% per annum and administrative fees. At June 30, 2015, debt service reserve fund amounted to $153. The debt service reserve fund is held by OASAS to ensure that the mortgage obligations are satisfied. The mortgage is secured by real property located at 1600 Macombs Road, Bronx, New York.	622
Mortgage payable with New York Homeless Housing and Assistance Corporation (“HHAC”) in the original amount of $2,075. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on December 4, 2027. However, if the project remains in compliance throughout the contract term with the conditions set forth by the HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by DLP’s investment in real property.	2,075
Mortgage payable to Corporation for Supportive Housing in the original amount of $1,560 due the earlier of closing of the construction financing or April 1, 2017. The mortgage accrues interest at 6.25% per annum and is due at the maturity date.	1,560
DLP has a second mortgage which originated on December 4, 1997 and is held by the New York State Housing Trust Fund Corporation (“HTFC”) in the original amount of $2,200. The mortgage accrues interest at 1% annum. Both principal and interest are payable at maturity on June 30, 2030. The mortgage is collateralized by DLP’s investment in real estate.	2,200
HHLP has a mortgage which originated on January 27, 1999 and is held by the New York City Department of Housing Preservation and Development (“HPD”). The mortgage accrues interest at .25% per annum. Both principal and interest are payable at maturity on July 15, 2029. The mortgage is collateralized by DLP’s investment in real estate.	3,924
CTLP has a first mortgage which was originated on August 29, 1996 and is held by HHAC in the original amount of $2,351. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on March 21, 2026. However, if the project remains in compliance throughout the contract term with the conditions set forth by HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by CTLP’s investment in real estate.	2,351
CTLP has a second mortgage which was originated on September 4, 1996 with HHAC in the amount of $149. The mortgage accrues interest at 1% per annum. Both principal and interest are payable at maturity on March 21, 2026. However, if the project remains in compliance throughout the contract term with the conditions set forth by HHAC regulatory agreement, HHAC will discharge the entire mortgage balance and accrued interest. The mortgage is collateralized by CTLP’s investment in real estate.	149
	$18,822

(in thousands)

Future annual principal repayments are as follows:

Year ended June 30,	
2016	$ 1,215
2017	2,803
2018	1,018
2019	952
2020	795
Thereafter	12,039
	$18,822

9. Loan Payable

Loans payable consist of the following:

One of the SUS-Mental Health Programs, Inc. locations sustained damage during Hurricane Sandy in October 2012. While waiting on the funding from the Federal Emergency Management Agency ("FEMA") to repair the damage, SUS received a $1,100 NYC Nonprofit Recovery Loan from Fund for the City of New York to fund the building repairs. The amount was a onetime payment and the entire principal amount is due no later than December 30, 2015.	$ 500
Interest-free loan from Enterprise Community Partners, Inc. for working capital expenses is payable at June 30, 2016.	250
Promissory note payable to Carver Federal Savings Bank bearing interest at 1% per annum which represents an affordable housing program sponsor subsidy. The funds were provided to Westchester Gardens LP for purposes of building affordable housing. The note is secured by a mortgage on real estate that is owned by Westchester Gardens LP. The note will be deemed satisfied upon the expiration of fifteen (15) years which is during 2024, if the property is maintained in accordance with the requirements of the Affordable Housing Program Regulations.	400
	$1,150

Future annual principal repayments are as follows:

Year ended June 30,	
2016	$ 750
Thereafter	400
	$1,150

10. Bonds Payable

(a) DASNY

On June 25, 2003, the Services for the UnderServed – Developmental Disabilities Services, Inc. ("DD") and Services for the Underserved, Inc. entered into an agreement with DASNY.

Under the terms of the agreement, DASNY has issued Insured Revenue Series 2003A and Series 2003B bonds in the aggregate principal amount of $9,545, which mature July 1, 2023 for DD and Services for the UnderServed, Inc. Bond payments, including interest and principal, are required to be made monthly to U.S. Bank, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The Series 2003A bonds bear interest ranging from 3.0% to 5.125%, net of interest cost of 4.675% per annum. The Series 2003B bonds bear interest at 5.38% per annum. During the year ended June 30, 2015, the Series 2003A bonds relating to DD were refinanced and rolled into the 2015A DASNY bonds which were issued on February 11, 2015. The principal amount outstanding at June 30, 2015 was $1,855.

In March 2010, DD entered into a loan agreement with DASNY. Under the terms of the agreement, DASNY issued Insured Revenue Series 2010A-1 bonds in the principal amount of $3,735, which mature on July 1, 2025. DASNY also issued Series 2010A-2 bonds in the principal amount of $80, which matured on July 1, 2012. Bond payments, including interest and principal, are required to be made monthly to The Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The bonds bear interest ranging from 1.5% to 5% per annum. The principal amount outstanding at June 30, 2015 was $1,920.

In April 2012, under the terms of the agreement, DASNY issued Insured Revenue Series 2012A-1 bonds in the principal amount of $1,685 at a premium of $72. Series 2012A-1 bonds mature on July 1, 2027. Bond payments, including interest and principal, are required to be made monthly to The Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The Series 2012A-1 bond bears interest ranging from 3% to 5% per annum. The principal amount outstanding on the Series 2012A-1 at June 30, 2015 was $1,390. The unamortized premium on the Series 2012A-1 bonds at June 30, 2015 was $58.

On February 11, 2015, DD entered into an agreement with DASNY. Under the terms of the agreement, DASNY has issued Insured Revenue Series 2015A-1 bonds in the principal amount of $6,040 at a premium of $356, which mature July 1, 2029. DASNY also issued Series 2015A-2 bonds in the principal amount of $230, which mature on July 1, 2016. Bond payments, including interest and principal, are required to be made monthly to U.S. Bank, which maintains a debt service reserve fund account and makes annual installments July 1 of each year. The Series 2015A-1 bonds bear interest ranging from 2.0% to 4% per annum. The Series 2015A-2 bonds bear interest at 1.2% per annum. The aggregate principal amount outstanding at June 30, 2015 was $6,060. The unamortized premium on the Series 2015A-1 bonds at June 30, 2015 was $335.

(b) IDA

On March 2, 2005, DD entered into a capital lease financing agreement with NYC Industrial Development Agency ("IDA"). Under the terms of the agreement, IDA issued $2,690 of Series 2005A term bonds, net of bond discount of $48. Interest rates range from 2% to 3% and mature in 2020. Bond payments, including interest and principal, are required to be made monthly to Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments on January 1 and July 1 of each year. During the year ended June 30, 2015, the Series 2005A term bonds were refinanced and rolled into the 2015A DASNY bonds.

(in thousands)

On June 9, 2006, Services for the UnderServed, Inc. entered into a capital lease financing agreement with IDA. Under the terms of the agreement, IDA issued an aggregate of $1,679 of Series 2006 C-1 and C-2 term bonds, at interest rates ranging from 4.15% to 6.05% and maturing in 2031. Bond payments, including interest and principal, are required to be made semiannually to the Bank of New York Mellon, which maintains a debt service reserve fund account and makes semiannual installments on January 1 and July 1 of each year. The principal amount outstanding at June 30, 2015 was $1,238.

In October 2007, DD entered into a capital lease financing agreement with IDA. Under the terms of the agreement, IDA issued $3,695 of Series 2007B term bonds at a discount of $73. Interest rates range from 4.87% to 5.29% and mature in 2022. Bond payments, including interest and principal, are required to be made monthly to the Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installment payments on January 1 and July 1 of each year. During the year ended June 30, 2015, the Series 2007A term bonds were refinanced and rolled into the 2015A DASNY bonds.

In addition to the construction cost of the projects, bond proceeds were used to pay bond issuance costs of $618 for DASNY, which are being amortized over the lives of the bonds. At June 30, 2015, $547 of amortized bond costs is included in depreciation and amortization.

Future minimum debt service payments are as follows:

Year ending June 30,	
2016	$ 1,170
2017	1,195
2018	1,215
2019	1,250
2020	1,255
Thereafter	6,378
	12,463
Plus: Unamortized premium	393
	$12,856

11. Transactions With Affiliates

(a) Based on a written agreement in February 2002, SUS receives partnership management fees from the DeWitt Avenue Supportive Housing Project owned by NLHLP. During fiscal year end 2015, NLHLP provided $16 in development fees to SUS-Mental Health Programs, Inc. to be used to fund a social reserve. As of June 30, 2015, the total amount SUS-Mental Health Programs, Inc. received from NLHLP was $587.

SUS is entitled to an annual partnership management fee of 6.7% of gross potential income. SUS received management fees of $40 from NLHLP for the year ended June 30, 2015. At June 30, 2015, SUS had a payable and a receivable of $245 and $109, respectively, to NLHLP.

(b) SUS shares common staff with MRHLP and is entitled to be reimbursed for costs incurred related to the operation of MRHLP's supportive housing program. SUS is entitled to an annual partnership management fee of 8% of gross potential income. SUS received management fees of $12 from MRHLP for the year ended June 30, 2015. SUS had a payable and a receivable of $1,371 and $565, respectively, to MRHLP as of June 30, 2015.

(c) SUS shares common staff with MGHLP and is entitled to be reimbursed for costs incurred related to the operation of MGHLP's supportive housing program. SUS is entitled to an annual partnership management fee of 8% of gross potential income. SUS received management fees of $42 from MGHLP for the year ended June 30, 2015. SUS had a payable and a receivable from MRHLP of $100 and $-0-, respectively, as of June 30, 2015.

(d) SUS shares common staff with TSLP and is entitled to be reimbursed for costs incurred related to the operation of TSLP. SUS received management fees of $21 for the year ended June 30, 2015. SUS did not receive any income from TSLP. SUS had a receivable from TSLP for $622 as of June 30, 2015.

(e) SUS shares common staff and operating expenses with CLP. CLP owes SUS $332 for operating expenses paid on behalf of CLP. SUS is entitled to an annual property management fee of 8% of gross revenues. SUS received management fees from CLP of $9 for the period December 1, 2014 through June 30, 2015.

(f) SUS shares common staff and operating expenses with SLP. SLP owes SUS $1,013 for operating expenses paid on behalf of SLP. SUS is entitled to an annual property management fee of 10% of gross revenues. SUS received management fees from SLP of $65 for the period December 1, 2014 through June 30, 2015.

(g) SUS shares common staff and operating expenses with BPRLP. SUS owes BPRLP $200 which represents rental subsidies received on its behalf netted against operating expenses paid on behalf of BPRLP. SUS is entitled to an annual property management fee of 6.4% of gross revenues. SUS received management fees from BPRLP of $10 for the period December 1, 2014 through June 30, 2015.

(h) SUS shares common staff and operating expenses with FVLP. FVLP owes SUS $550 for operating expenses paid on behalf of SLP. SUS is entitled to an annual property management fee of 8% of gross revenues. SUS received management fees from FVLP of $6 for the period December 1, 2014 through June 30, 2015.

(i) SUS shares common staff and operating expenses with JCLP. JCLP owes SUS $672 for operating expenses paid on behalf of JCLP. SUS is entitled to an annual property management fee of 9% of gross revenues. SUS received management fees from JCLP of $28 for the period December 1, 2014 through June 30, 2015.

(j) SUS shares common staff and operating expenses with WGLP. WGLP owes SUS $1,772 which represents rental subsidies received on its behalf netted against operating expenses paid on behalf of WGLP. SUS is entitled to an annual property management fee of 8% of gross revenues. SUS received management fees from WGLP of $13 for the period December 1, 2014 through June 30, 2015.

12. Transfer of Membership

Family Residences & Essential Enterprises, Inc. ("FREE") entered into an agreement in August 2010 that substitutes FREE for SUS Inc. as sole member of the CDCH Preschool and CDCH Charter School. The agreement also provides that FREE replace SUS in its relationship with CDCH Foundation. The agreement with respect to CDCH Preschool closed on September 1, 2010, and the remaining parts of the agreement for CDCH Charter School closed on October 27, 2010. As consideration for the agreement, FREE paid SUS Inc. the balances due to SUS by CDCH Preschool and CDCH Charter School at closing, subject to a ten-year promissory note of $500 issued at prime plus 1.5%. The note receivable from FREE was $174, net of allowance for bad debt of $326 at

(in thousands)

June 30, 2014. On June 24, 2015, SUS Inc. entered an agreement with FREE to settle the note and release FREE from its obligation and consider the note fully satisfied.

13. Pension Plan

SUS established a 403(b) defined contribution plan covering all eligible employees of SUS. The plan is administered by SUS. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Employer contributions to the 403(b) plan are discretionary and may vary from year to year. There were no employer contributions to the 403(b) plan for the year ended June 30, 2015.

SUS adopted a deferred compensation retirement plan (the "457 Plan") under Section 457(f) of the Code. The 457 Plan is intended to provide deferred compensation for a group of SUS management employees. SUS contributed $77 to the 457 Plan for the year ended June 30, 2015.

Palladia, Inc. also maintains a profit sharing plan covering all employees previously employed by Palladia, Inc. who satisfy the plan's eligibility requirements which provide for discretionary contributions by Palladia, Inc. There were no employer contributions made for the year ended June 30, 2015.

Palladia, Inc. also has a 403(b) Tax Deferred Annuity Plan covering all employees previously employed by Palladia, Inc. Employees can elect to contribute up to the maximum amount permitted by law. There are no matching contributions by Palladia, Inc. for the year ended June 30, 2015.

14. Deferred Revenue

Deferred revenue consists of the following:

June 30, 2015	
Current deferred revenue:	
State of New York grants and contracts	$7,801
City of New York grants and contracts	1,758
	$9,559

15. Temporarily Restricted Net Assets

SUS has temporarily restricted net assets that are available for the following purposes:

June 30, 2015	
OMH capital grant for Majestic residence	$1,896
Veteran's employment and housing services	208
Other	43
	$2,147

(in thousands)

SUS's net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

June 30, 2015	
OMH capital grant for Majestic residence	$222
Veteran's employment and housing services	470
Other	25
	$717

16. Commitments and Contingencies

(a) Leases

SUS is obligated under various lease agreements for the use of several residential apartments, office space, equipment and vehicles. SUS has the option to renew certain leases upon expiration. Rental expense was $28,476 for the year ended June 30, 2015. The minimum future annual rental payments are as follows:

Year ending June 30,	
2016	$ 9,117
2017	8,706
2018	6,759
2019	6,439
2020	5,307
Thereafter	6,016
Total	$42,344

(b) SUS is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. SUS management is of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on SUS's financial position.

(c) SUS is contingently liable under certain partnership and development agreements to fund operating deficits in its housing limited partnerships. During the year ended June 30, 2015, there were no payments under these guarantees and SUS believes any future payment is unlikely or minimal.

(d) SUS has contracted with various agencies to provide services and receive Medicaid revenue from New York State. Reimbursements received under these contracts and payments from Medicaid are subject to audit by the funding sponsors. Upon audit, if discrepancies are discovered, SUS could be held responsible for refunding the amounts in question. It is the opinion of management that SUS has adequate reserves as of June 30, 2015 to cover liabilities from any future potential audits by government entities.

(e) Regulatory

The Housing and Urban Development Office of Inspector General ("OIG") conducted an audit of Palladia, Inc. for the period 2010 to 2012. The audit report indicated a lack of available documentation to support submitted claims. SUS reviewed the audit report prior to the membership transaction and developed a plan to respond to the report. A review of documentation compared to claims is substantially complete and a reserve for audit exposure of $340 has been included in other liabilities. The final audit response and OIG's determination will impact the amount to be repaid. The reserve for audit exposure may change in the future.

SUS was awarded a capital grant of $1,435 from New York State Office of Mental Health ("OMH") for major repairs to a residential facility for individuals living with mental illness. As of June 30, 2015, SUS had committed $653 of the grant funds. Pursuant to the capital grant, OMH has imposed a state aid lien on the facility. SUS operates the facility in compliance with the lien.

Palladia, Inc. was awarded a capital grant by the New York State Office of Alcoholism and Substance Abuse Services ("OASAS") for major upgrades to a residential treatment facility. As of June 30, 2015, Palladia, Inc. had received $2,505 to fund the project. This amount is reported as capital advances from funding sources in the consolidated statement of financial position. When the project is completed, the capital advance will be converted to long-term financing.

17. Transfer to Funding Source

On March 31, 2011, HRA did not renew its contract for the provision of home attendant services with SUS - Home Attendant Program, Inc. ("SUS-HA"). All clients were transferred to other providers in April 2011. Pursuant to the agreement between HRA and SUS-HA, the costs incurred to discontinue the program's operations are funded by HRA by the reduction of the payable balance between SUS-HA and HRA. HRA will continue to fund these costs until the program is fully liquidated. For the year ended June 30, 2015, the costs incurred for discontinuing operations were $48.

18. Workers' Compensation Assessment Payable Settlement

Between 1999 and 2003, SUS participated in a group self-insurance trust (the "Trust") along with multiple other agencies in the human services, not-for-profit sector. On December 31, 2010, the Trust was terminated with a deficiency of assets. The Trust billed all former members of the Trust with an assessed portion of the total deficit. SUS's assessment was $538 and it was recorded by SUS in the year ended June 30, 2011.

In July 2011, the State of New York Workers' Compensation Board (the "Board") assumed the administration and final distribution of the assets and liabilities of the Trust. Following a forensic audit, the Board issued newly calculated assessments and they were higher than those formerly issued by the Trust. The new assessment for SUS was $734. The increase in the assessment of $196 was recorded in the year ended June 30, 2013. The amount outstanding at June 30, 2015 was $679.

The liability of former members for Trust deficits is "joint and several". While SUS has recorded the full amount of the assessments calculated by the Board, default by other members of the Trust could create future assessments for non-defaulting members. In light of the expansive authority of the Board to recover assessments from all former members, SUS believes the likelihood of an additional assessment is remote.

(in thousands)

19. Losses and Recoveries Related to Hurricane Sandy

In October 2012, a SUS facility located in Far Rockaway, Queens was impacted by Hurricane Sandy. The costs incurred by SUS as a result of Hurricane Sandy included clean-up, relocation of residents to temporary quarters, capital reconstruction and mitigation measures. The building was vacated prior to the storm and reoccupied in December 2013 after the reconstruction. During 2015, all the costs incurred have been captured and work is completed. Total operating cost and capital costs incurred as a result of Hurricane Sandy amounted to approximately $5,134. Approximately $3,979 of these costs have been recovered through disaster relief awarded by FEMA, by certain block grants from New York State, by funding from the New York State Office of Mental Health and by grants from private sources. As of June 2015, the accounts receivable related to Sandy amounted to approximately $727.

20. Capital Advances from Funding Sources

Capital advances from funding sources consist of the following:

New York State Office of Mental Health construction and acquisition grants (Montrose and Marcy Ave. facilities)	$3,780
New York State Office of Alcohol and Substance Abuse construction grant (Starhill rehabilitation)	2,505
State of New York grants and contracts	1,401
	$7,686

21. Acquisition

On December 4, 2014, SUS Inc. entered into a membership transaction with Palladia, Inc. ("Palladia"), a New York not-for-profit corporation and its affiliates. Pursuant to the transaction, SUS Inc. became a member of Palladia and each of its affiliates that is a not-for-profit corporation and the direct or indirect owner of all of the equity owned by Palladia and its affiliates in each other affiliate of Palladia. As a result of the transaction, SUS Inc. controls all of the operations of Palladia and its affiliates.

SUS Inc. paid off the line of credit that Palladia and its affiliates had with TD Bank N.A. at the transaction closing. The pay-off amount was $3,082. SUS Inc. increased its working capital line with Bank of America N.A. from $6 million to $10 million in connection with the closing.

On December 4, 2014, Palladia entered into a forbearance agreement with TD Bank as bondholder, Bank of New York Mellon, as trustee, and New York Industrial Development Agency, as issuer. The bond, with a face amount of $10,315, is secured by a mortgage on the property located at 2006 Madison Avenue, New York, New York. Palladia undertook to sell the Madison Avenue property. The forbearance agreement extended certain relief to Palladia in making principal and interest payments and established terms for pay-off in the event sales proceeds were less than the outstanding debt. SUS Inc. is an acknowledging party to the forbearance agreement.

SUS Inc. filed the appropriate applications to obtain approval of the membership transaction by licensing agencies including OASAS and OMH. The approvals were obtained prior to December 4, 2014.

(in thousands)

The fair value of assets over liabilities acquired are reported in the consolidated statement of activities as contributions from acquisition.

Assets acquired (liabilities assumed):	
Cash	$ 2,862
Accounts receivable	6,774
Deposits and reserves	5,041
Other assets	4,548
Property and equipment	29,672
Due to affiliates	3,619
Accounts payable and accrued expenses	(12,580)
Other payables	(3,918)
Loans and mortgages and payable	(27,518)
Contribution	$ 8,500

The consolidated statement of activities of Services for the UnderServed, Inc. and affiliated organizations include the activities for Palladia for the period December 4, 2014 to June 30, 2015.

22. Net Deficit Transferred In

Net deficit transferred in as of June 30, 2014 represents the assets and liabilities for Services for the UnderServed, Inc.'s Affiliated General Partners and Housing Development Fund Corporations as follows:

Assets, liabilities and net deficit transferred in:

Accounts receivable, net	$ 5
Restricted cash and investments	1,035
Due from affiliates	100
	1,140
Accounts payable and accrued expenses	(41)
Due to affiliates	(1,118)
	(1,159)
Net deficit transferred in	$ (19)

23. Subsequent Events

SUS has evaluated subsequent events through November 30, 2015, which is the date these consolidated financial statements were available to be issued. No events arose during the period which required additional disclosures.

Supplementary Information

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidating Schedule of Financial Position
(in thousands)

June 30, 2015

	Services for the UnderServed, Inc.	SUS - Mental Health Programs, Inc.	SUS - Developmental Disabilities Services, Inc.	SUS - AIDS Services, Inc.	SUS - Home Attendant Program, Inc.	SUS - Home Care Services, Inc.	SUS - Urgent Housing Programs, Inc.	SUS - HDFC Affiliates	SUS - Corporate Affiliates
Assets									
Current:									
Cash and cash equivalents	$ 8,193	$ 1,323	$ 36	$ 4	$ 887	$ -	$ -	$ -	$ -
Accounts receivable, net	33	10,126	5,882	1,044	-	-	2,255	-	5
Prepaid expenses and other assets	557	1,487	339	167	-	-		-	-
Total Current Assets	8,783	12,936	6,257	1,215	887	-	2,255	-	5
Due From Affiliates, Net	6,689	3,770	-	-	120	-	-	400	31
Investments in Palladia, Inc. and Affiliates	8,500	-	-	-	-	-	-	-	-
Restricted Cash and Investments	437	-	857	-	-	-	-	1,035	-
Deferred Bond Financing Costs	234	-	545	-	-	-	-	-	-
Investments in Limited Partnerships	-	-	-	-	-	-	-	-	-
Fixed Assets, Net	2,368	16,557	15,855	188	-	-	330	1,200	-
	$27,011	**$33,263**	**$23,514**	**$1,403**	**$1,007**	**$ -**	**$2,585**	**$2,635**	**$ 36**
Liabilities and Net Assets (Deficit)									
Current Liabilities:									
Accounts payable and accrued expenses	$ 2,468	$ 1,515	$ 2,079	$ 82	$ 2	$ -	$ 193	$ 8	$ 27
Accrued compensation and related taxes	2,089	1,179	1,378	130	18	-	103	-	-
Other liabilities	698	432	54	-	-	-	-	-	-
Deferred revenue	94	7,136	70	247	-	-	-	-	-
Due to governmental agencies	-	-	3,684	-	987	-	-	-	-
Mortgages payable	-	844	100	-	-	-	-	-	-
Loans payable	-	500	-	-	-	-	-	-	-
Bonds payable	255	-	915	-	-	-	-	-	-
Total Current Liabilities	5,604	11,606	8,280	459	1,007	-	296	8	27
Other Liabilities	-	-	-	-	-	-	-	-	-
Capital Advances From Funding Sources	-	5,181	-	-	-	-	-	-	-
Due to Affiliates (Note 11)	3,934	1,603	436	334	-	90	2,002	1,110	34
Mortgages Payable (Note 8)	-	4,841	157	-	-	-	-	1,560	-
Loans Payable (Note 9)	-	-	-	-	-	-	-	-	-
Bonds Payable (Note 10)	2,838	-	8,848	-	-	-	-	-	-
Total Liabilities	12,376	23,231	17,721	793	1,007	90	2,298	2,678	61
Commitments and Contingencies									
Net Assets (Deficit):									
Unrestricted	14,635	7,928	5,793	610	-	(90)	287	(43)	(25)
Temporarily restricted	-	2,104	-	-	-	-	-	-	-
Total Net Assets (Deficit)	14,635	10,032	5,793	610	-	(90)	287	(43)	(25)
	$27,011	**$33,263**	**$23,514**	**$1,403**	**$1,007**	**$ -**	**$2,585**	**$2,635**	**$ 36**

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidating Schedule of Financial Position (Continued)
(in thousands)

June 30, 2015

	Palladia, Inc.	Palladia Housing Corporation	Palladia Philanthropies, Inc.	Palladia Year 15, Inc.	Palladia HDFC Affiliates	Palladia Development Corporation Affiliates	Hill House Limited Partnership	Cedar Tremont Limited Partnership	Dreitzer Limited Partnership	Eliminations	Total
Assets											
Current:											
Cash and cash equivalents	$ 357	$ -	79	$-	$ -	$ -	$1,084	$ 10	$ (10)	$ -	**$11,963**
Accounts receivable, net	9,160	-	-	-	-	-	100	84	246	-	**28,935**
Prepaid expenses and other assets	467	-	-	-	-	-	9	18	7	-	**3,051**
Total Current Assets	9,984	-	79	-	-	-	1,193	112	243	-	**43,949**
Due From Affiliates, Net	3,653	3,307	1,498	-	63	-	-	-	507	(17,597)	**2,441**
Investments in Palladia, Inc. and Affiliates	-	-	-	-	-	-	-	-	-	(8,500)	**-**
Restricted Cash and Investments	-	155	-	-	245	186	602	877	1,957	-	**6,351**
Deferred Bond Financing Costs	-	-	-	-	-	-	-	-	29	-	**808**
Investments in Limited Partnerships	-	-	-	-	-	1,165	-	-	-	-	**1,165**
Fixed Assets, Net	-	16,325	-	-	-	4	1,900	1,114	3,501	-	**59,342**
	$13,637	**$19,787**	**$1,577**	**$-**	**$308**	**$1,355**	**$3,695**	**$2,103**	**$6,237**	**$(26,097)**	**$114,056**
Liabilities and Net Assets (Deficit)											
Current Liabilities:											
Accounts payable and accrued expenses	$ 5,818	$ -	$ -	$-	$ -	$ -	$ 32	$ 43	$ 88	$ -	**$ 12,355**
Accrued compensation and related taxes	1,418	-	-	-	-	-	-	-	-	-	**6,315**
Other liabilities	526	-	-	-	-	-	-	-	-	-	**1,710**
Deferred revenue	2,012	-	-	-	-	-	-	-	-	-	**9,559**
Due to governmental agencies		-	-	-	-	-	-	-	-	-	**4,671**
Mortgages payable	-	271	-	-	-	-	-	-	-	-	**1,215**
Loans payable	250	-	-	-	-	-	-	-	-	-	**750**
Bonds payable	-	-	-	-	-	-	-	-	-	-	**1,170**
Total Current Liabilities	10,024	271	-	-	-	-	32	43	88	-	**37,745**
Other Liabilities	-	-	-	-	-	-	330	509	705	-	**1,544**
Capital Advancing From Funding Sources	-	2,505	-	-	-	-	-	-	-	-	**7,686**
Due to Affiliates (Note 11)	7,965	-	-	-	-	1,783	745	78	-	(17,597)	**2,517**
Mortgages Payable (Note 8)	-	350	-	-	-	-	3,924	2,500	4,275	-	**17,607**
Loans Payable (Note 9)	400	-	-	-	-	-	-	-	-	-	**400**
Bonds Payable (Note 10)	-	-	-	-	-	-	-	-	-	-	**11,686**
Total Liabilities	18,389	3,126	-	-	-	1,783	5,031	3,130	5,068	(17,597)	**79,185**
Commitments and Contingencies											
Net Assets (Deficit):											
Unrestricted	(4,795)	16,661	1,577	-	308	(428)	(1,336)	(1,027)	1,169	(8,500)	**32,724**
Temporarily restricted	43	-	-	-	-	-	-	-	-	-	**2,147**
Total Net Assets (Deficit)	(4,752)	16,661	1,577	-	308	(428)	(1,336)	(1,027)	1,169	(8,500)	**34,871**
	$13,637	**$19,787**	**$1,577**	**$-**	**$308**	**$1,355**	**$3,695**	**$2,103**	**$6,237**	**$(26,097)**	**$114,056**

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidating Schedule of Activities
(in thousands)

Year ended June 30, 2015

	Services for the UnderServed, Inc.	SUS - Mental Health Programs, Inc.	SUS - Developmental Disabilities Services, Inc.	SUS - AIDS Services, Inc.	SUS - Home Attendant Programs, Inc.	SUS - Home Care Services, Inc.	SUS Urgent Housing Program, Inc.	SUS - HDFC Affiliates	SUS - Corporate Affiliates
Public Support and Revenue:									
Medicaid income	$ -	$ 8,319	$ 45,188	$ -	$ -	$ -	$ -	$ -	$ -
Contract revenue	1	34,571	1,963	5,302	-	-	6,767	-	-
Rental income	882	-	-	-	-	-	-	-	-
Participant fees	-	5,051	2,887	260	-	-	-	-	-
Contributions	496	428	-	-	-	-	-	-	-
Special events:									
Gross receipts	671	-	-	-	-	-	-	-	-
Less: Cost of special events	(312)	-	-	-	-	-	-	-	-
Management fees	7,106	-	-	-	-	-	-	-	-
Other	1,260	433	376	-	-	-	-	(49)	(132)
Total Public Support and Revenue	10,104	48,802	50,414	5,562	-	-	6,767	(49)	(132)
Expenses:									
Program services:									
SUS - Mental Health Programs, Inc.	-	45,430	-	-	-	-	-	-	-
SUS Developmental Disabilities Services, Inc.	-	-	46,510	-	-	-	-	-	-
SUS - AIDS Services, Inc.	-	-	-	5,303	-	-	-	-	-
SUS - Urgent Housing Programs, Inc.	-	-	-	-	-	-	6,695	-	-
Palladia, Inc. and Operating Affiliates	-	-	-	-	-	-	-	-	-
Total Program Services	-	45,430	46,510	5,303	-	-	6,695	-	-
Supporting services:									
Fundraising	423	-	-	-	-	-	-	-	-
Management and general	8,367	2,957	3,739	169	-	-	136	10	(142)
Total Supporting Services	8,790	2,957	3,739	169	-	-	136	10	(142)
Total Expenses	8,790	48,387	50,249	5,472	-	-	6,831	10	(142)
Excess (Deficiency) of Public Support and Revenue Over Expenses Before Other Changes	1,314	415	165	90	-	-	(64)	(59)	10
Other Changes:									
Contributions (goodwill) from acquisition	8,500	-	-	-	-	-	-	-	-
Expense - Home Attendant Program, Inc.	(406)	-	-	-	-	-	-	-	-
Acquisition related costs	-	-	-	-	(48)	-	-	-	-
Transfer to funding sources	-	-	-	-	48	-	-	-	-
Gain on sale of property	-	-	-	-	-	-	-	-	-
Change in Net Assets Before Transfer in of Net Assets (Deficit)	9,408	415	165	90	-	-	(64)	(59)	10
Transfer in of Net Assets (Deficit)	-	-	-	-	-	-	-	16	(35)
Net Assets (Deficit), Beginning of Year	5,227	9,617	5,628	520	-	(90)	351	-	-
Net Assets (Deficit), End of Year	**$14,635**	**$10,032**	**$ 5,793**	**$ 610**	**$ -**	**$(90)**	**$ 287**	**$(43)**	**$ (25)**

Services for the UnderServed, Inc. and Affiliated Organizations

Consolidating Schedule of Activities (Continued)
(in thousands)

Year ended June 30, 2015

	Palladia, Inc.	Palladia Housing Corporation	Palladia Philanthropies, Inc.	Palladia Year 15, Inc.	Palladia HDFC Affiliates	Palladia Development Corporation Affiliates	Hill House Limited Partnership	Cedar Tremont Limited Partnership	Dreitzer Limited Partnership	Eliminations	Total
Public Support and Revenue:											
Medicaid income	$ 1,354	$ -	$ -	$-	$ -	$ -	$ -	$ -	$ -	$ -	$ 54,861
Contract revenue	24,309	-	-	-	-	-	-	-	-	-	72,913
Rental income	-	247	-	-	-	-	330	171	358	(1,129)	859
Participant fees	2,518	-	-	-	-	-	-	-	-	-	10,716
Contributions	15	-	-	-	-	-	-	-	-	-	939
Special events:											
Gross receipts	-	-	-	-	-	-	-	-	-	-	671
Less: Cost of special events	-	-	-	-	-	-	-	-	-	-	(312)
Management fees	916	-	-	-	-	-	-	-	-	(7,294)	728
Other	163	-	-	-	-	-	-	6	11	-	2,068
Total Public Support and Revenue	29,275	247	-	-	-	-	330	177	369	(8,423)	143,443
Expenses:											
Program services:											
SUS - Mental Health Programs, Inc.	-	-	-	-	-	-	-	-	-	(525)	44,905
SUS Developmental Disabilities Services, Inc.	-	-	-	-	-	-	-	-	-	(358)	46,152
SUS - AIDS Services, Inc.	-	-	-	-	-	-	-	-	-	-	5,303
SUS - Urgent Housing Programs, Inc.	-	-	-	-	-	-	-	-	-	-	6,695
Palladia, Inc. and Operating Affiliates	25,662	-	-	-	-	-	-	-	-	-	25,662
Total Program Services	25,662	-	-	-	-	-	-	-	-	(883)	128,717
Supporting services:											
Fundraising	-	-	-	-	-	-	-	-	-	-	423
Management and general	1,714	1,116	-	-	-	-	344	220	527	(7,540)	11,617
Total Supporting Services	1,714	1,116	-	-	-	-	344	220	527	(7,540)	12,404
Total Expenses	27,376	1,116	-	-	-	-	344	220	527	(8,423)	140,757
Excess (Deficiency) of Public Support and Revenue Over Expenses Before Other Changes	1,899	(869)	-	-	-	-	(14)	(43)	(158)	-	2,686
Other Changes:											
Contributions (goodwill) from acquisition	(6,651)	14,673	1,577	-	308	(428)	(1,322)	(984)	1,327	(8,500)	8,500
Expense - Home Attendant Program, Inc.	-	-	-	-	-	-	-	-	-	-	(406)
Acquisition related costs	-	-	-	-	-	-	-	-	-	-	(48)
Transfer to funding sources	-	-	-	-	-	-	-	-	-	-	48
Gain on sale of property	-	2,857	-	-	-	-	-	-	-	-	2,857
Change in Net Assets Before Transfer in of Net Assets (Deficit)	(4,752)	16,661	1,577	-	308	(428)	(1,336)	(1,027)	1,169	(8,500)	13,637
Transfer in of Net Assets (Deficit)	-	-	-	-	-	-	-	-	-	-	(19)
Net Assets (Deficit), Beginning of Year	-	-	-	-	-	-	-	-	-	-	21,253
Net Assets (Deficit), End of Year	$ (4,752)	$16,661	$1,577	$-	$308	$(428)	$(1,336)	$(1,027)	$1,169	$(8,500)	$34,871

Services for the UnderServed, Inc. and Affiliated Organizations

Schedule of Financial Position - Non-Consolidated Limited Partnerships - Unaudited (in thousands)

June 30, 2015	
Assets	
Investments in Real Estate:	
Land	$ 3,625
Building and improvements	71,714
Furniture and fixtures	1,945
Less: Accumulated depreciation	(18,624)
Net Investments in Real Estate	**58,660**
Reserves (Restricted Cash)	**7,933**
Cash and Cash Equivalents	**2,566**
Accounts Receivables	**3,540**
Due From Affiliates	**563**
Other Current Asset	**1,748**
Total Assets	**$75,010**
Liabilities and Partner's Equity	
Liabilities:	
Mortgage payable	43,049
Accrued interest payable	1,932
Accounts payable and accrued expenses	405
Due to Affiliates	4,146
Other current liabilities	2,055
Total Liabilities	**51,587**
Partner's Equity	**23,423**
Total Liabilities and Partner's Equity	**$75,010**

Services for the UnderServed, Inc. and Affiliated Organizations

Schedule of Activities and Changes in Partner's Equity (Deficit) - Non-Consolidated Limited Partnerships - Unaudited
(in thousands)

Year ended June 30, 2015	
Revenue:	
Rental income	$ 3,451
Other operating income	42
Total Revenue	**3,493**
Expenses:	
Operating expenses	2,734
Partnership and other expenses	224
Total Expense	**2,958**
Net Income Before Interest and Dividend Income and Interest Expense	**535**
Interest and Dividend Income	**87**
Interest Expense	**(104)**
Net Income Before Depreciation and Amortization	**518**
Depreciation and Amortization	**(1,769)**
Net Operating Loss	**(1,251)**
Contribution from Acquisition	**12,259**
Increase in Equity	**4,361**
Change in Net Assets	**15,369**
Net Assets, Beginning of Year	**8,054**
Net Assets, End of Year	**$23,423**

Services for the UnderServed, Inc. and Affiliated Organizations

Schedule of Selected Cash Flow Information - Non-Consolidated Limited Partnerships - Unaudited (in thousands)

Year ended June 30, 2015	
Cash Flows From Operating Activities:	
Net loss	**$(1,251)**
Depreciation	**1,746**
Amortization	**23**
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Current assets	**(440)**
Affiliates receivable	**(211)**
Contributions from acquisition	**1,709**
Current liabilities	**465**
Affiliated payable	**(181)**
Net Cash Provided By Operating Activities	**1,860**
Cash Flows From Investing Activities:	
Payment for fixed assets	**(4,588)**
Increase in reserves	**(57)**
Net Cash Used In Investing Activities	**(4,645)**
Cash Flows From Financing Activities:	
Equity Contribution from Investor Limited Partner	**4,091**
Mortgage debts	**715**
Accrued interest	**109**
Net Cash Provided By Financing Activities	**4,915**
Net Increase in Cash and Cash Equivalents	**2,130**
Cash and Cash Equivalents, Beginning of Year	**436**
Cash and Cash Equivalents, End of Year	**$ 2,566**

(in thousands)

1. Organization

The non-consolidated Limited Partnerships schedules include accounts for the following entities:

New Life Homes, Limited Partnership	1368 Boston Post Road Associates, L.P.
Macombs Road Housing, L.P.	Stratford Limited Partnership
Mother Gaston Housing, L.P	Chelsea Limited Partnership
21 Truxton Street, L.P.	Flora Vista Limited Partnership
Jerome Court Limited Partnership	Westchester Gardens, L.P.

Each of these Limited Partnerships operate an affordable/supportive housing project. For each Limited Partnership (“LP”), either SUS Mental Health Programs Inc. or Palladia, Inc. is the sole member of a Housing Development Fund Corporation which, in turn, is the sole shareholder of a company that is the General Partner (“G.P.”) of each LP. The G.P.’s have a 0.01% interest and the investing limited partners have a 99.99% interest in each LP.

2. Significant Accounting Matters

Rental income is a combination of tenant paid rent and subsidy income from a variety of governmental agencies.

In accordance with the partnership and loan agreements, the partnerships are required to maintain reserves for partnership purposes. All withdrawals from the reserves require the approval of the investor limited partner. Securities are valued at fair value.

The partnerships have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income tax. Palladia Inc. and SUS – Mental Health Programs, Inc. manage the projects.

Properties are exempt from property taxes under Section 420-c of the New York State Real Property Tax Law.

Investor Limited Partners have made equity contributions pursuant to the Partnership agreements. During 2015 the investor limited partner of 21 Truxton Street, L.P. made an equity contribution of $4,361, based on the achievement of project milestones.

The projects are funded by mortgages with several New York State and New York City agencies. If the projects remain in compliance with the associated regulatory agreements throughout the regulatory term. There are no payments of mortgage principal or accrued interest in the year ended June 30, 2015 and none were due.

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Services for the UnderServed and Affiliated Organizations

Combined Financial Statements and Supplementary Information
Year Ended June 30, 2014

Services for the UnderServed and Affiliated Organizations

Combined Financial Statements and Supplementary Information
Year Ended June 30, 2014

Services for the UnderServed and Affiliated Organizations

Contents

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Independent Auditor's Report

To the Board of Directors
Services for the UnderServed
and Affiliated Organizations
New York, New York

We have audited the accompanying combined financial statements of Services for the UnderServed and Affiliated Organizations ("SUS"), which comprise the combined statement of financial position as of June 30, 2014, 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 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 Services for the UnderServed and Affiliated Organizations as of June 30, 2014, 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

Other 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 on pages 23 and 24 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 previously audited Services for the UnderServed and Affiliated Organizations' 2013 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated December 16, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

BDO USA, LLP

December 17, 2014

Services for the UnderServed and Affiliated Organizations

Combined Statement of Financial Position
(with comparative totals for 2013)

June 30,	**2014**	2013
Assets		
Cash and cash equivalents (Note 2)	**$ 7,916,434**	$10,730,608
Accounts receivable, net of allowance for doubtful accounts of $2,359,159 and $3,775,302 for 2014 and 2013, respectively (Notes 2 and 7)	**15,108,112**	12,612,457
Prepaid expenses and other assets (Note 3)	**2,193,672**	1,941,195
Bond escrow fund (Note 4)	**160,750**	179,576
Due from affiliates (Notes 11 and 12)	**2,084,415**	1,695,522
Debt service reserve (Note 4)	**1,993,726**	1,993,726
Deferred bond financing costs (Note 10)	**955,514**	1,067,499
Fixed assets, net (Notes 2, 5, 7, 8 and 10)	**36,198,047**	35,546,212
	$66,610,670	$65,766,795
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 6,213,590**	$ 5,353,763
Accrued compensation and related taxes	**3,766,877**	3,892,156
Due to affiliates (Note 11)	**1,532,565**	1,194,459
Due to clients	**173,086**	262,284
Other liabilities	**790,743**	544,106
Deferred revenue (Note 14)	**6,994,167**	10,320,327
Due to governmental agencies (Note 6)	**2,090,162**	2,051,019
Workers' compensation assessment payable settlement (Note 18)	**678,837**	678,837
Lines of credit (Note 7)	**3,573,675**	3,136,187
Mortgages payable (Note 8)	**6,870,839**	7,754,243
Loan payable (Note 9)	**1,100,000**	-
Bonds payable (Note 10)	**11,573,043**	13,062,850
Total Liabilities	**45,357,584**	48,250,231
Commitments and Contingencies (Notes 5, 7, 12, 13, 14, 15, 16, 18, 19 and 20)		
Net Assets:		
Unrestricted	**18,707,080**	15,008,483
Temporarily restricted (Note 15)	**2,546,006**	2,508,081
Total Net Assets	**21,253,086**	17,516,564
	$66,610,670	$65,766,795

See accompanying notes to combined financial statements.

Services for the UnderServed and Affiliated Organizations

Combined Statement of Activities
(with comparative totals for 2013)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Totals 2014	Totals 2013
Public Support and Revenue:				
Medicaid income	$43,516,316	$ -	**$43,516,316**	$38,639,001
Contract revenue	39,512,563	-	**39,512,563**	33,474,649
Participant fees	7,227,546	-	**7,227,546**	7,008,266
Contributions	790,940	855,000	**1,645,940**	470,665
Special events:				
Gross receipts	258,556	-	**258,556**	552,481
Less: Cost of special events	(265,432)	-	**(265,432)**	(428,253)
Management fees (Note 11)	137,113	-	**137,113**	289,677
Other	902,863	-	**902,863**	305,771
Net assets released from restrictions (Note 15)	817,075	(817,075)	**-**	-
Total Public Support and Revenue	92,897,540	37,925	**92,935,465**	80,312,257
Expenses:				
Program services:				
SUS – Mental Health Programs, Inc.	33,389,832	-	**33,389,832**	29,288,884
SUS – Developmental Disabilities Services, Inc.	36,913,836	-	**36,913,836**	33,132,132
SUS – AIDS Services, Inc.	5,367,184	-	**5,367,184**	6,104,842
SUS – Urgent Housing Programs, Inc.	5,672,717	-	**5,672,717**	3,360,074
Total Program Services	81,343,569	-	**81,343,569**	71,885,932
Supporting services:				
Fundraising	417,490	-	**417,490**	254,418
Management and general	7,437,884	-	**7,437,884**	5,612,411
Total Supporting Services	7,855,374	-	**7,855,374**	5,866,829
Total Expenses	89,198,943	-	**89,198,943**	77,752,761
Excess of Public Support and Revenue Over Expenses From Continuing Operations Before Gain (Loss) From Discontinuing Operations	3,698,597	37,925	**3,736,522**	2,559,496
Gain (Loss) From Discontinuing Operations:				
Expenses – Home Attendant Program	(125,664)	-	**(125,664)**	(135,663)
Transfer to funding sources (Note 17)	125,664	-	**125,664**	135,663
	-	-	**-**	-
Change in Net Assets After Gain (Loss) From Discontinuing Operations	3,698,597	37,925	**3,736,522**	2,559,496
Other Changes:				
Assessment from default on workers' compensation trust (Note 18)	-	-	**-**	(196,028)
Asset impairment (Notes 5 and 19)	-	-	**-**	(3,012,000)
Change in Net Assets	3,698,597	37,925	**3,736,522**	(648,532)
Net Assets, Beginning of Year	15,008,483	2,508,081	**17,516,564**	18,165,096
Net Assets, End of Year	**$18,707,080**	**$2,546,006**	**$21,253,086**	$17,516,564

See accompanying notes to combined financial statements.

Services for the UnderServed and Affiliated Organizations

Combined Statement of Functional Expenses
(with comparative totals for 2013)

Year ended June 30,

	Program Services					Supporting Services			Total	
	SUS - Mental Health Programs, Inc.	SUS - Developmental Disabilities Services, Inc.	SUS - AIDS Services, Inc.	SUS - Urgent Housing Programs, Inc.	Total Program Services	Fundraising	Management and General	Total Supporting Services	**2014**	2013
Salaries and Related Expenses:										
Salaries	$12,795,464	$18,379,444	$1,993,622	$1,658,582	$34,827,112	$221,594	$3,228,630	$3,450,224	**$38,277,336**	$33,261,323
Fringe benefits	2,771,478	5,999,760	452,864	253,131	9,477,233	48,116	775,819	823,935	**10,301,168**	8,622,798
Total Salaries and Related Expenses	15,566,942	24,379,204	2,446,486	1,911,713	44,304,345	269,710	4,004,449	4,274,159	**48,578,504**	41,884,121
Other Expenses:										
Food	313,988	791,790	16,430	147,407	1,269,615	2,890	7,885	10,775	**1,280,390**	1,367,352
Rent	7,375,247	563,069	1,961,286	1,518,331	11,417,933	-	300,256	300,256	**11,718,189**	10,744,876
Facility tax	-	393,749	-	-	393,749	-	1,083	1,083	**394,832**	435,370
Telephone and utilities	1,829,388	1,045,182	272,047	70,993	3,217,610	4,410	268,299	272,709	**3,490,319**	2,925,653
Transportation	220,236	1,418,425	31,036	139,971	1,809,668	4,790	70,549	75,339	**1,885,007**	1,747,369
Office supplies and postage	85,695	88,376	6,719	22,815	203,605	26,348	108,686	135,034	**338,639**	336,823
Lease equipment	221,291	310,333	23,158	18,724	573,506	18,747	67,469	86,216	**659,722**	558,472
Repairs and maintenance	987,930	598,905	151,542	58,586	1,796,963	24	209,999	210,023	**2,006,986**	1,787,936
Professional and consultant fees	744,195	488,478	63,276	191,674	1,487,623	58,002	705,140	763,142	**2,250,765**	1,565,376
Household supplies	222,108	583,040	34,126	206,322	1,045,596	-	4,370	4,370	**1,049,966**	972,354
Furniture and equipment expense	819,803	674,400	121,836	186,470	1,802,509	5,145	241,002	246,147	**2,048,656**	1,901,074
Insurance	442,880	287,141	54,320	226,490	1,010,831	-	81,710	81,710	**1,092,541**	904,320
Community outreach and recruitment	145,853	36,845	2,570	-	185,268	-	155,205	155,205	**340,473**	315,236
Client incidentals	321,662	178,514	10,276	716	511,168	-	3,528	3,528	**514,696**	520,775
Staff training	103,917	264,080	5,579	7,663	381,239	7,080	124,722	131,802	**513,041**	332,819
Interest expense	406,427	465,015	-	-	871,442	-	178,495	178,495	**1,049,937**	1,159,899
Temporary labor	1,470,252	2,778,461	172,894	899,692	5,321,299	-	280,541	280,541	**5,601,840**	4,809,251
Real estate taxes	9,929	13,721	-	-	23,650	-	-	-	**23,650**	28,202
Miscellaneous	618,290	183,073	(4,355)	7,257	804,265	20,344	329,727	350,071	**1,154,336**	518,419
Start up cost	50,165	23,070	-	-	73,235	-	-	-	**73,235**	74,201
Sheltered workshop	-	-	-	-	-	-	-	-	**-**	8,477
Broker and bond administrative fees	154,691	17,405	(1,515)	283	170,864	-	16,821	16,821	**187,685**	159,727
Bad debt expense	166,165	13,919	(67,844)	-	112,240	-	-	-	**112,240**	-
Total Expenses Before Depreciation and Amortization	32,277,054	35,596,195	5,299,867	5,615,107	78,788,223	417,490	7,159,936	7,577,426	**86,365,649**	75,058,102
Depreciation and Amortization	1,112,778	1,317,641	67,317	57,610	2,555,346	-	277,948	277,948	**2,833,294**	2,694,659
Total Expenses	**$33,389,832**	**$36,913,836**	**$5,367,184**	**$5,672,717**	**$81,343,569**	**$417,490**	**$7,437,884**	**$7,855,374**	**$89,198,943**	$77,752,761

See accompanying notes to combined financial statements.

Services for the UnderServed and Affiliated Organizations

Combined Statement of Cash Flows
(with comparative totals for 2013)

Year ended June 30,	**2014**	2013
Cash Flows From Operating Activities:		
Change in net assets	**$ 3,736,522**	$ (648,532)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**2,833,296**	2,694,659
Asset impairment	**-**	3,012,000
Provisions for bad debt	**112,240**	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(2,607,895)**	(4,516,336)
Prepaid expenses and other assets	**(252,477)**	24,625
Due from affiliates	**(388,893)**	396,670
Increase (decrease) in:		
Accounts payable and accrued expenses	**859,827**	1,052,078
Accrued compensation and related taxes	**(125,279)**	176,100
Due to affiliates	**338,106**	(766,550)
Due to clients	**(89,198)**	(117,262)
Other liabilities	**246,637**	514,756
Deferred revenue	**(3,326,160)**	3,535,187
Due to governmental agencies	**39,143**	(926,166)
Workers' compensation assessment payable settlement	**-**	173,239
Net Cash Provided By Operating Activities	**1,375,869**	4,604,468
Cash Flows From Investing Activities:		
Purchase of fixed assets	**(3,373,146)**	(3,672,526)
Cash Flows From Financing Activities:		
Bond escrow fund	**18,826**	(10,618)
Payments of bond principal	**(1,489,807)**	(1,500,806)
Payments of line of credit	**-**	(220,000)
Proceeds from line of credit	**437,488**	2,736,187
Payments of mortgages payable	**(883,404)**	(829,895)
Proceeds from loan payable	**1,100,000**	-
Net Cash (Used In) Provided By Financing Activities	**(816,897)**	174,868
Net (Decrease) Increase in Cash and Cash Equivalents	**(2,814,174)**	1,106,810
Cash and Cash Equivalents, Beginning of Year	**10,730,608**	9,623,798
Cash and Cash Equivalents, End of Year	**$ 7,916,434**	$10,730,608
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 1,049,937**	$ 1,159,899

See accompanying notes to combined financial statements.

1. Nature of Organization

Services for the UnderServed and Affiliated Organizations ("SUS") was established in 1978 and currently serves approximately 8,500 people with special needs in New York City, primarily in Brooklyn, the Bronx, and Queens. SUS, through its affiliate corporations, provides a wide range of programs and services, tailoring them to meet the needs, goals and preferences of the persons they serve. These services include residential, day programs, peer advocacy, employment services, home care, and harm reduction education. Services are provided to:

- Elderly and/or disabled individuals
- Persons with a mental illness
- Individuals with HIV/AIDS
- Adults with a developmental disability
- Homeless and marginalized individuals

2. Summary of Significant Accounting Policies

(a) Principles of Combination

The combined financial statements include the accounts of SUS and affiliated organizations which are affiliated through common Board membership, common management and/or common ownership. All material intercompany transactions and balances have been eliminated. The following entities are included in the combined financial statements:

Services for the UnderServed, Inc. (corporate).

SUS – Mental Health Programs, Inc.

SUS – Developmental Disabilities Services, Inc.

SUS – AIDS Services, Inc.

SUS – Home Attendant Program, Inc.

SUS – Home Care Services, Inc.

SUS – Urgent Housing Programs, Inc.

SUS is the sole member of SUS – Mental Health Programs, Inc. which, in turn, is related to other affiliates, New Life Homes Housing Development Fund Corporation, Macombs Road Housing Development Fund Corporation, Mother Gaston Housing Development Fund Company, Inc. and 21 Truxton Street Housing Development Fund Corporation; however, it is not presented in these combined financial statements since it does not meet the criteria for consolidation.

(b) Basis of Presentation

The combined financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit organizations. 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.

(c) 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 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 SUS and affiliated organizations is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of SUS and affiliated organizations.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by SUS and affiliated organizations is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of SUS and affiliated organizations 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 statement of activities.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(d) Cash and Cash Equivalents

SUS considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(e) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of the assets are as follows:

Buildings and building improvements	25 years
Leasehold improvements	25 years
Furniture and equipment	5-7 years
Vehicles	5-7 years

(f) Revenue Recognition

Revenue from governmental grants is recognized as the expenditures for each contract are incurred. All grant monies received in excess of revenue earned are recorded as deferred revenue. Revenue from fees for service programs is recognized as they are earned (services are provided daily and/or monthly).

Reimbursements are subject to audit and retroactive adjustment by the respective third party fiscal intermediary. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

SUS receives Supplemental Security Income ("SSI") and Social Security Income ("SSA") payments for the participants. A portion of the SSI/SSA payments represents the participants' contributions toward the cost of goods and services and is recognized as revenue when received. The remaining portion of SSI/SSA represents the participants' personal allowance and is recognized as a liability due to clients.

Participant fees represent the participant's personal contribution towards the cost of goods and services SUS is allowed to charge as regulated by Federal and state law.

Net patient service revenue is 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 the related services are rendered and adjusted in future periods, as final settlements are determined.

(g) Contributions and Promises to Give

Contributions and promises to give are recorded as revenue when either unsolicited cash is received or when donors make a promise to give. Contributions and promises to give are classified as either unrestricted, temporarily restricted, or permanently restricted support.

Contributions of property and equipment are recorded at the fair market value of the property and equipment at the time of contribution.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

(h) Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(i) Comparative Financial Information

The financial statements include certain prior year summarized comparative information. The statement of activities is presented in total rather than by net assets 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with SUS's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

(j) Concentration of Credit Risk

The financial instruments that potentially subject SUS to concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions which, from time to time, exceed the Federal Depository Insurance Coverage ("FDIC") limit.

(k) Due to Governmental Agencies

Due to governmental agencies consists of operational advances, retroactive rate adjustments and advances received from New York State Office for People With Developmental Disabilities ("OPWDD"), the New York State Office of Mental Health ("OMH"), the New York State Department of Health ("DOH") and other advances due to the New York City Human Resources Administration ("HRA"). OPWDD recoups the liability through withholdings from Medicaid remittances over a specified period of time.

(l) Fair Value Measurements

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement", 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. SUS classifies 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.

(m) Income Taxes

SUS was incorporated in the State of New York and is exempt from Federal and state 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, SUS 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 June 30, 2014.

Under ASC 740, "Income Taxes," 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 upon examination by a taxing authority. SUS does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. SUS has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, SUS has filed Internal Revenue Service Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2014, there was no interest or penalties recorded or included in the combined statement of activities. SUS is subject to routine audits by a taxing authority. As of June 30, 2014, SUS was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to 2011.

(n) Long-Lived and Depreciable Assets

Contracts with funding agencies generally provide that purchases of fixed assets are expensed at the time of acquisition for cost reporting and reimbursement purposes although certain contracts contain reversion of title or similar provisions with respect to fixed assets purchased under the contract, principally in the event of early termination of the agreements or cancellation of the programs. For financial reporting purposes, such acquisitions are capitalized and depreciated over their estimated useful lives. Since the ongoing operation of SUS's programs is assumed, the resulting net assets are presented in the combined financial statements as unrestricted.

Contributions 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.

(o) Impairment of Long-Lived Assets

SUS reviews long-lived assets, including property and equipment and intangible 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 estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There were no impairment losses recognized for long-lived assets as of June 30, 2014.

(p) Deferred Revenue

Deferred revenue relates to preoperative costs through June 30, 2014 incurred by SUS to run programs and construction of new facilities. The funding source advances SUS for said costs based on a budget submitted. The final payment is based upon actual expenditures.

(q) Cost Allocation

Management and general expenses include expenditures for the overall direction of SUS, general recordkeeping, business management, budgeting and related purposes. Such expenses are allocated to individual programs for cost reporting and reimbursement purposes in proportion to the direct program expenses incurred. Certain other shared program expenses are allocated to individual programs using specific allocation methods.

3. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consists of the following:

June 30, 2014	
Security deposits	$1,188,040
Prepaid expenses	449,242
Dormitory Authority of the State of New York surplus funds	326,379
Other assets	230,011
	$2,193,672

4. Debt Service Reserve and Bond Escrow Fund

Debt service reserve represents funds held by OPWDD, U.S. Bank and Bank of New York Mellon, (collectively, the "Trustee"). These funds will be applied to the last payment required on the mortgages with the Facilities Development Corporation ("FDC") and bonds due to the Dormitory Authority of the State of New York Office of Mental Health ("DASNY") and NYC Industrial Development Agency ("IDA"). This reserve will earn interest which will be used to offset SUS's obligations. As of June 30, 2014, the Trustee has $1,993,726 in debt service reserve.

Bond escrow fund represents funds held by U.S. Bank and Bank of New York Mellon. These funds will be applied to expenses associated with DASNY and IDA bonds. As of June 30, 2014, the Trustee has $160,750 in bond escrow funds.

SUS's financial instruments are carried at fair value and have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2(l) for a discussion of SUS's policies regarding this hierarchy.

SUS's publicly-traded U.S. Treasury money market funds, U.S. Treasury bills and U.S. Treasury notes are carried at their aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily. The valuation of these investments is based on Level 1 inputs within the hierarchy used in measuring fair value.

SUS's holdings in publicly-traded fixed income securities consist of U.S. government-sponsored agency securities. SUS's Trustee prices these investments using nationally recognized pricing services. Since fixed income securities other than U.S. Treasury securities generally do not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using their proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. The valuation of these investments is based on Level 2 inputs within the hierarchy used in measuring fair value.

There were no changes in valuation methodologies as of June 30, 2014.

The following table presents the level within the fair value hierarchy at which SUS's financial assets and financial liabilities are measured on a recurring basis at June 30, 2014:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance as of June 30, 2014
Assets			
Money market funds	$1,301,734	$ -	$1,301,734
U.S. government obligations	395,459	457,283	852,742
Total assets	$1,697,193	$457,283	$2,154,476

5. Fixed Assets, Net

Major classes of fixed assets, net consist of the following:

June 30, 2014	
Land	$ 2,044,297
Building and building improvements	62,043,763
Leasehold improvements	1,662,340
Furniture and equipment	6,685,611
Vehicles	524,837
Total fixed assets	72,960,848
Less: Accumulated depreciation and amortization	(36,762,801)
Fixed assets, net	$ 36,198,047

For the year ended June 30, 2014, depreciation and amortization expense was $2,833,294.

6. Due to Governmental Agencies

Due to governmental agencies consists of the following:

June 30, 2014	
Other advances due to OMH and New York City to be recouped	$1,866,210
Other advances due to OPWDD	223,952
	$2,090,162

7. Lines of Credit

SUS and its affiliated organizations have a $6,000,000 working capital line of credit with Bank of America against which $700,000 is outstanding for SUS at June 30, 2014. The line of credit matures on February 2, 2015 and the interest rate is equal to the prime rate (3.25%) plus 0.25%. There is also a quarterly fee on the unused available line of credit amount of 0.25%. The loan is guaranteed by SUS and all of its affiliates, collectively and individually, and is collateralized by a first-priority perfected securities interest in SUS's and its affiliated organizations' present and future accounts receivable and personal property and fixtures.

SUS also has a $4,000,000 acquisition line of credit with Bank of America. The line of credit matures on February 2, 2015 and the interest rate is 0.25% in excess of the prime rate. The loan is guaranteed by a negative pledge on the related residence and related leased location by SUS affiliated organizations. The total amount outstanding as of June 30, 2014 is $2,873,675.

8. Mortgages Payable

Mortgages payable consist of the following:

June 30, 2014	
Mortgage payable to Dormitory Authority of the State of New York ("DASNY") - OMH, due December 1, 2015, payable in semiannual payments of $40,897, including interest at 7.72% per annum, secured by real estate located on Patchen Avenue, Brooklyn, New York	$ 110,970
Mortgage payable to DASNY - OMH, due June 1, 2019, payable in semiannual payments of $56,065, including interest at 6.21% per annum, secured by real estate located on St. Marks Avenue, Brooklyn, New York	475,610
Mortgage payable to DASNY - OMH, due June 1, 2019, payable in semiannual payments of $47,400, including interest at 6.20% per annum, secured by real estate located on Patchen Avenue, Brooklyn, New York	402,039
Mortgage payable to DASNY - OMH, due December 1, 2020, payable in semiannual payments of $144,024, including interest at 5.58% per annum, secured by real estate located on Knickerbocker Avenue, Brooklyn, New York	1,552,406
Mortgage payable to DASNY - OMH, due June 1, 2023, payable in semiannual payments of $33,222, including interest at 5.40% per annum, secured by real estate located on Classon Avenue, Brooklyn, New York	468,419
Mortgage payable to DASNY - OMH, due June 1, 2022, payable in semiannual payments of $272,229, including interest at 5.27% per annum, secured by real estate located on Beach 85th Street, Queens, New York	3,514,895
Mortgage payable to FDC, due August 15, 2018, payable in semiannual debt service and administrative fee payments of approximately $30,000, including interest at 6.16% per annum, secured by real estate located on Cornelia Street, Brooklyn, New York.	136,500
Mortgage payable to FDC, due August 15, 2018, payable in semiannual debt service and administrative fee payment of approximately $33,000, including interest at 6.16% per annum, secured by real estate located on 45th Avenue, Flushing, New York.	210,000
	$6,870,839

Mortgages payable mature as follows:

Year ended June 30,	
2015	$ 929,480
2016	943,875
2017	959,468
2018	951,199
2019	1,343,935
Thereafter	1,742,882
	$6,870,839

9. Loan Payable

One of the SUS-Mental Health Programs, Inc. locations sustained damage during Hurricane Sandy in October 2012. While waiting on the funding from the Federal Emergency Management Agency ("FEMA") to repair the damage, SUS received a $1,100,000 NYC Nonprofit Recovery Loan from Fund for the City of New York to fund the building repairs. The amount was a onetime payment and the entire principal amount is due no later than December 30, 2015.

10. Bonds Payable

(a) DASNY

On June 25, 2003, the Services for the Underserved – Developmental Disabilities Services, Inc. ("DD") and Services for the Underserved, Inc. entered into an agreement with DASNY.

Under the terms of the agreement, DASNY has issued Insured Revenue Series 2003A and Series 2003B bonds in the aggregate principal amount of $9,545,000, which mature July 1, 2023. Bond payments, including interest and principal, are required to be made monthly to U.S. Bank, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The Series 2003A bonds bear interest ranging from 3.0% to 5.125%, net interest cost of 4.675% per annum. The Series 2003B bonds bear interest at 5.38% per annum. The principal amount outstanding at June 30, 2014 was $3,305,000.

In March 2010, DD entered into a loan agreement with DASNY. Under the terms of the agreement, DASNY issued Insured Revenue Series 2010A-1 bonds in the principal amount of $3,735,000, which mature on July 1, 2025. DASNY also issued Series 2010A-2 bonds in the principal amount of $80,000, which matured on July 1, 2012. Bond payments, including interest and principal, are required to be made monthly to The Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The bonds bear interest ranging from 1.5% to 5% per annum. The principal amount outstanding at June 30, 2014 was $2,300,000.

In April 2012, under the terms of the agreement, DASNY issued Insured Revenue Series 2012A-1 bonds in the principal amount of $1,685,000 at a premium of $72,091. DASNY also issued 2012A-2 bonds in the principal amount of $65,000. Series 2012A-1 and 2012A-2 bonds mature on July 1, 2027 and July 1, 2014, respectively. Bond payments, including interest and principal, are required to be made monthly to The Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The Series 2012A-1 bond bears interest ranging from 3% to 5% per annum. The Series 2012A-2 bond bears interest at 1.75% per annum. The principal amounts outstanding on the Series 2012A-1 and Series 2012A-2 bonds at June 30, 2014 were $1,510,000 and $-0-, respectively. The unamortized premium on the Series 2012A-1 bonds at June 30, 2014 was $62,478.

(b) IDA

On March 2, 2005, DD entered into a capital lease financing agreement with NYC Industrial Development Agency ("IDA"). Under the terms of the agreement, IDA issued $2,690,000 of Series 2005A term bonds, net of bond discount of $47,755. Interest rates range from 2% to 3% and mature in 2020. Bond payments, including interest and principal, are required to be made monthly to Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The principal amount outstanding at June 30, 2014 was $1,115,000.

On June 9, 2006, Services for the Underserved, Inc. entered into a capital lease financing agreement with NYC Industrial Development Agency ("IDA"). Under the terms of the agreement, IDA issued an aggregate of $1,679,077 of Series 2006 C-1 and C-2 term bonds, at interest rates ranging from 4.15% to 6.05% and mature in 2031. Bond payments, including interest and principal, are required to be made semiannually to the Bank of New York Mellon, which maintains a debt service reserve fund account and makes semiannual installments January 1 and July 1 of each year. The principal amount outstanding at June 30, 2014 was $1,293,065.

In October 2007, DD entered into a capital lease financing agreement with IDA. Under the terms of the agreement, IDA issued $3,695,000 of Series 2007B term bonds at a discount of $73,900. Interest rates range from 4.87% to 5.29% and mature in 2022. Bond payments, including interest and principal, are required to be made monthly to the Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installment payments on January 1 and July 1 of each year. The principal amount outstanding at June 30, 2014 was $1,987,500.

In addition to the construction cost of the projects, bond proceeds were used to pay bond issuance costs of $823,773 for DASNY and $867,173 for IDA, respectively, which are being amortized over the lives of the bonds. At June 30, 2014, $111,985 of amortized bond costs is included in depreciation and amortization.

Future minimum debt service payments are as follows:

Year ending June 30,	
2015	$ 1,465,000
2016	1,080,000
2017	1,015,000
2018	1,025,000
2019	1,060,000
Thereafter	5,865,565
	11,510,565
Plus: Unamortized premium	62,478
	$11,573,043

11. Transactions With Related Parties

(a) Based on a written agreement in February 2002, SUS receives partnership management fees from the DeWitt Avenue Supportive Housing Project owned by New Life Homes, Limited Partnership ("NLHLP"). The Partnership has one general partner, New Life Homes, Inc., which has a 0.01% interest. The sole shareholder of New Life Homes, Inc. is New Life Homes Housing Development Fund Corporation ("HDFC"). SUS is the sole member of SUS - Mental Health Programs, Inc. which, in turn, is the sole member of the HDFC. The limited partner of NLHLP is the National Equity Fund – 1999 Limited Partnership, which has a 99.99% interest.

During fiscal year end 2014, NLHLP provided $169,861 in development fee to SUS-Mental Health Programs, Inc. to be used to fund a social reserve. As of June 30, 2014, the total amount SUS-Mental Health Programs, Inc. received from NLHLP was $569,861.

SUS is entitled to an annual partnership management fee of 6.7% of gross potential income. SUS received management fees of $34,583 from New Life Homes, LP for the year ended June 30, 2014. At June 30, 2014, SUS had a payable and a receivable of $108,549 and $51,248, respectively, to NLHLP.

(b) SUS is the sole member of SUS - Mental Health Programs, Inc. which, in turn, is the sole member of Macombs Road Housing Development Fund Corporation ("Macombs HDFC") and Macombs HDFC owns all the outstanding shares of Macombs Road Housing G.P., Inc. ("Macombs HGP") which is the general partner of Macombs Road Housing L.P. ("Macombs HLP"). Macombs HGP has a 0.01% interest in Macombs HLP. The limited partner of Macombs HLP is Enterprise BB Fund I, LP which has a 99.99% interest.

Macombs HLP was formed to own and operate a supportive housing program. SUS shares common staff with Macombs HLP and is entitled to be reimbursed for costs incurred related to the operation of the Macombs Supportive Housing Program. SUS is entitled to an annual partnership management fee of 8% of gross potential income. SUS had a payable and a receivable of $1,093,181 and $1,193,633, respectively, to Macombs HLP as of June 30, 2014.

(c) SUS is the sole member of SUS - Mental Health Programs, Inc. which, in turn, is the sole member of Mother Gaston Housing Development Fund Company, Inc. ("Mother Gaston HDFC") and Mother Gaston HDFC owns all the outstanding shares of Mother Gaston Housing G.P. Inc. ("Mother Gaston HGP") which is the general partner of Mother Gaston Housing L.P. ("Mother Gaston HLP"). Mother Gaston HGP has a 0.01% interest in Mother Gaston HLP. The limited partner of Mother Gaston HLP is Richman Asset Management, Inc. which has a 99.99% interest.

Mother Gaston HLP was formed to own and operate a supportive housing program. SUS shares common staff with Mother Gaston HLP and is entitled to be reimbursed for costs incurred related to the operation of the Mother Gaston Supportive Housing Program. SUS is entitled to an annual partnership management fee of 8% of gross potential income. SUS received management fees of $39,000 from Mother Gaston L.P. for the year ended June 30, 2014. SUS had a payable and a receivable from Mother Gaston HLP of $4,160 and $5,478, respectively, as of June 30, 2014.

(d) SUS is the sole member of SUS-Mental Health Programs Inc. which, in turn, is the sole member of 21 Truxton Street Housing Development Fund Corporation ("Truxton HDFC"). Truxton HDFC owns all of the outstanding shares of 21 Truxton Street G.P, Inc. ("Truxton, G.P.") which is the general partner of 21 Truxton Street, L.P. ("Truxton L.P."). The interest of Truxton G.P. in Truxton L.P. is 0.01%. The limited partner of Truxton L.P. is The Bank of America Housing Fund IX Limited Partnership, LLP which has a 99.9% interest.

Truxton L.P. was formed to own and operate supportive housing programs. SUS and SUS-Mental Health Programs, Inc. share common staff with Truxton L.P. and SUS is entitled to be reimbursed for costs incurred related to the operation of Truxton L.P. For the year ended June 30, 2014, SUS did not receive any income from Truxton L.P. SUS had a receivable from Truxton L.P. for $429,087 as of June 30, 2014.

The financial statements of NLHLP, Macombs HLP, Mother Gaston HLP and Truxton L.P. have not been combined with SUS, as the limited partners have substantive participating rights which effectively give them the ability to participate in significant decision making activities during the ordinary course of business.

12. Transfer of Membership

Family Residences & Essential Enterprises, Inc. ("FREE") entered into an agreement in August 2010 that substitutes FREE for SUS as sole member of the CDCH Preschool and CDCH Charter School. The agreement also provides that FREE replace SUS in its relationship with CDCH Foundation. The agreement with respect to CDCH Preschool closed on September 1, 2010, and the remaining parts of the agreement for CDCH Charter School closed on October 27, 2010. As consideration for the agreement, FREE paid SUS the balances due to SUS by CDCH Preschool and CDCH Charter School at closing, subject to a ten-year promissory note of $500,000 issued at prime plus 1.5%. The note receivable from FREE was $173,511, net of allowance for bad debt of $326,489 at June 30, 2014.

13. Pension Plan

Upon termination of the Services for the Underserved, Inc. 401(k) and Profit Sharing Plan on December 31, 2008, SUS established a 403(b) defined contribution plan on January 1, 2009 covering all eligible employees of SUS. The plan is administered by SUS. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Employer contributions to the 403(b) plan are discretionary and may vary from year to year. There were no employer contributions to the 403(b) plan for the year ended June 30, 2014.

SUS adopted a deferred compensation retirement plan (the "457 Plan") under Section 457(f) of the Internal Revenue Code. The 457 Plan is intended to provide deferred compensation for a group of SUS management employees. SUS contributed $93,660 to the 457 Plan for the year ended June 30, 2014.

14. Deferred Revenue

Deferred revenue consists of the following:

June 30, 2014	
Construction and acquisition costs for the Montrose, Marcy Avenue and Briarwood facilities which were financed by grants from the State of New York, Office of Mental Health ("OMH"), which stipulated that SUS will take title to the land and building after 20 years of meeting operational requirements	$4,111,834
Various Mental Health Program contract advances for fiscal year 2015	782,560
Additional OMH funding received for capital improvements for various Mental Health Program facilities	367,136
Various AIDS services contract advances for fiscal year 2015	549,631
Surplus income generated from Home Attendant Program	1,032,355
Other deferred revenue	150,651
	$6,994,167

15. Temporarily Restricted Net Assets

SUS has temporarily restricted net assets that are available for the following purposes:

June 30, 2014	
Hotel Majestic and capital expenditures for Services for the UnderServed - Mental Health Programs, Inc.	$2,117,457
Veteran's employment and housing services	428,549
	$2,546,006

SUS's net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

June 30, 2014	
Hotel Majestic and capital expenditures for Services for the UnderServed - Mental Health Programs, Inc.	$230,624
Veteran's employment and housing services	286,451
Recovery of Far Rockaway facility following Hurricane Sandy	300,000
	$817,075

16. Commitments and Contingencies

(a) Leases

SUS is obligated under various lease agreements for the use of several residential apartments, office space, equipment and vehicles. SUS has the option to renew certain leases upon expiration. Rental expense was $11,718,189 for the year ended June 30, 2014. The minimum future annual rental payments are as follows:

Year ending June 30,	
2015	$ 8,663,508
2016	5,525,546
2017	3,638,998
2018	2,069,181
2019	1,871,834
Thereafter	4,287,068
Total	$26,056,135

(b) SUS is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. SUS management is of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on SUS's financial position.

17. Transfer to Funding Source

On March 31, 2011, HRA did not renew its contract for the provision of home attendant services with SUS - Home Attendant Program, Inc. ("SUS-HA"). All clients were transferred to other providers in April 2011. Pursuant to the agreement between HRA and SUS-HA, the costs incurred to discontinue the program's operations are funded by HRA by the reduction of the payable balance between SUS-HA and HRA. HRA will continue to fund these costs until the program is fully liquidated. For the year ended June 30, 2014, the costs incurred for discontinuing operations were $125,664.

18. Workers' Compensation Assessment Payable Settlement

Between 1999 and 2003, SUS participated in a group self-insurance trust (the "Trust") along with multiple other agencies in the human services, not-for-profit sector. On December 31, 2010, the Trust was terminated with a deficiency of assets. The Trust billed all former members of the Trust with an assessed portion of the total deficit. SUS's assessment was $537,502 and it was recorded by SUS in the year ended June 30, 2011.

In July 2011, the State of New York Workers' Compensation Board (the "Board") assumed the administration and final distribution of the assets and liabilities of the Trust. Following a forensic audit, the Board issued newly calculated assessments and they were higher than those formerly issued by the Trust. The new assessment for SUS was $733,530. The increase in the assessment of $196,028 was recorded in the year ended June 30, 2013. Payments made in 2014 toward the assessment amounted to $-0-. The amount outstanding at June 30, 2014 was $678,837.

The liability of former members for Trust deficits is "joint and several". While SUS has recorded the full amount of the assessments calculated by the Board, default by other members of the Trust could create future assessments for non-defaulting members. In light of the expansive authority of the Board to recover assessments from all former members, SUS believes the likelihood of an additional assessment is remote.

19. Losses and Recoveries Related to Hurricane Sandy

In October 2012, an SUS facility located in Far Rockaway, Queens was impacted by Hurricane Sandy. The costs incurred by SUS as a result of Hurricane Sandy included clean-up, relocation of residents to temporary quarters, capital reconstruction and mitigation measures. The building was vacated prior to the storm and reoccupied in December 2013 after the reconstruction. During 2014, operating expenses incurred as a result of Hurricane Sandy amounted to $630,855 and capital reconstruction costs amounted to $2,351,667. During 2013, the expenses incurred were $906,501 and $678,370, respectively. These costs will be recovered through disaster relief awarded by FEMA, by certain block grants from New York State, by funding from the New York State Office of Mental Health and by grants from private sources. As of June 2014, the accounts receivable related to Sandy amounted to approximately $2.4 million.

20. Subsequent Events

On June 10, 2014, SUS and Palladia Inc. ("Palladia") executed a non-binding letter of intent related to SUS becoming sole corporate member of Palladia. After execution of the letter of intent, SUS and Palladia entered a period of exclusive due diligence. The Board of Directors of both SUS and Palladia approved the membership transaction and it closed on December 4, 2014.

Palladia is a community-based, multi-site human services agency serving individuals and families (men, women and children) whose problems stem from various sources including substance abuse, homelessness, HIV/AIDS disease, mental illness, criminality, and/or domestic violence. Palladia offers a wide range of services along a continuum of care from outreach, prevention and treatment through transitional and permanent housing. These services are designed to promote independence and responsible living. Palladia revenues in 2014 were approximately $44 million.

SUS has evaluated subsequent events through December 17, 2014, which is the date these combined financial statements were available to be issued. No events arose during the period which required additional disclosures.

Supplementary Information

Services for the UnderServed and Affiliated Organizations

Combining Statement of Financial Position
(with comparative totals for 2013)

	Services for the Underserved, Inc.	SUS - Mental Health Programs, Inc.	SUS - Developmental Disabilities Services, Inc.	SUS - AIDS Services, Inc.	SUS - Home Attendant Program, Inc.	SUS - Home Care Services, Inc.	SUS - Urgent Housing Programs, Inc.	Eliminations	Total 2014	Total 2013
Assets										
Cash and cash equivalents	$ 5,383,270	$ 1,301,979	$ 39,830	$ 6,646	$1,184,309	$ -	$ 400	$ -	**$ 7,916,434**	$10,730,608
Accounts receivable, net	119,826	6,819,658	5,901,536	1,036,445	-	3,037	1,227,610	-	**15,108,112**	12,612,457
Prepaid expenses and other assets	568,565	1,326,255	133,740	164,414	-	-	698	-	**2,193,672**	1,941,195
Bond escrow fund	-	-	160,750	-	-	-	-	-	**160,750**	179,576
Due from affiliates, net	6,440,913	2,654,977	-	-	-	-	-	(7,011,475)	**2,084,415**	1,695,522
Debt service reserve	483,460	-	1,510,266	-	-	-	-	-	**1,993,726**	1,993,726
Deferred bond financing costs	263,462	-	692,052	-	-	-	-	-	**955,514**	1,067,499
Fixed assets, net	2,614,493	16,536,460	16,415,032	265,853	-	-	366,209	-	**36,198,047**	35,546,212
	$15,873,989	**$28,639,329**	**$24,853,206**	**$1,473,358**	**$1,184,309**	**$ 3,037**	**$1,594,917**	**$(7,011,475)**	**$66,610,670**	$65,766,795
Liabilities and Net Assets (Deficit)										
Liabilities:										
Accounts payable and accrued expenses	$ 1,831,138	$ 966,215	$ 2,776,778	$ 187,596	$ 14,413	$ 3,037	$ 434,413	$ -	**$ 6,213,590**	$ 5,353,763
Accrued compensation and related taxes	728,530	1,215,638	1,502,403	182,620	18,294	-	119,392		**3,766,877**	3,892,156
Due to affiliates	326,575	1,205,990	6,078,880	33,576	119,247	90,359	689,413	(7,011,475)	**1,532,565**	1,194,459
Due to clients	-	122,931	50,155	-	-	-	-	-	**173,086**	262,284
Other liabilities	31,636	759,107	-	-	-	-	-	-	**790,743**	544,106
Deferred revenue	148,445	5,261,530	2,206	549,631	1,032,355	-	-	-	**6,994,167**	10,320,327
Due to government agencies	-	1,866,210	223,566	-	-	-	386	-	**2,090,162**	2,051,019
Workers' compensation assessment payable settlement	678,837	-	-	-	-	-	-	-	**678,837**	678,837
Lines of credit	3,573,675	-	-	-	-	-	-	-	**3,573,675**	3,136,187
Mortgages payable	-	6,524,339	346,500	-	-	-	-	-	**6,870,839**	7,754,243
Loan payable	-	1,100,000	-	-	-	-	-	-	**1,100,000**	-
Bonds payable	3,328,065	-	8,244,978	-	-	-	-	-	**11,573,043**	13,062,850
Total Liabilities	10,646,901	19,021,960	19,225,466	953,423	1,184,309	93,396	1,243,604	(7,011,475)	**45,357,584**	48,250,231
Commitments and Contingencies										
Net Assets (Deficit):										
Unrestricted	5,141,420	7,157,031	5,627,740	519,935	-	(90,359)	351,313	-	**18,707,080**	15,008,483
Temporarily restricted	85,668	2,460,338	-	-	-	-	-	-	**2,546,006**	2,508,081
Total Net Assets (Deficit)	5,227,088	9,617,369	5,627,740	519,935	-	(90,359)	351,313	-	**21,253,086**	17,516,564
	$15,873,989	**$28,639,329**	**$24,853,206**	**$1,473,358**	**$1,184,309**	**$ 3,037**	**$1,594,917**	**$(7,011,475)**	**$66,610,670**	$65,766,795

Services for the UnderServed and Affiliated Organizations

Combining Statement of Activities
(with comparative totals for 2013)

Year ended June 30,

	Services for the Underserved, Inc.	SUS - Mental Health Programs, Inc.	SUS - Developmental Disabilities Services, Inc.	SUS - AIDS Services, Inc.	SUS - Home Attendant Programs, Inc.	SUS - Home Care Services, Inc.	SUS Urgent Housing Program, Inc.	Eliminations	Total 2014	Total 2013
Public Support and Revenue:										
Medicaid income	$ -	$ 4,859,109	$38,657,207	$ -	$ -	$ -	$ -	$ -	**$43,516,316**	$38,639,001
Contract revenue	-	28,454,263	-	5,370,297	-	-	5,688,003	-	**39,512,563**	33,474,649
Rental income	829,801	-	-	-	-	-	-	(829,801)	**-**	-
Participant fees	-	4,513,960	2,368,743	344,843	-	-	-	-	**7,227,546**	7,008,266
Contributions	970,940	675,000	-	-	-	-	-	-	**1,645,940**	470,665
Special events:	-	-	-	-	-	-		-	**-**	
Gross receipts	258,556	-	-	-	-	-	-	-	**258,556**	552,481
Less: Cost of special events	(265,432)	-	-	-	-	-	-	-	**(265,432)**	(428,253)
Management fees	6,435,042	-	-	-	-	-	-	(6,297,929)	**137,113**	289,677
Other	752,425	(6,817)	157,255	-	-	-	-	-	**902,863**	305,771
Total Public Support and Revenue	8,981,332	38,495,515	41,183,205	5,715,140	-	-	5,688,003	(7,127,730)	**92,935,465**	80,312,257
Expenses:										
Program services:										
Mental Health Programs, Inc.	-	33,862,018	-	-	-	-	-	(472,186)	**33,389,832**	29,288,884
Developmental Disabilities Services, Inc.	-	-	37,228,627	-	-	-	-	(314,791)	**36,913,836**	33,132,132
AIDS Services, Inc.	-	-	-	5,410,008	-	-	-	(42,824)	**5,367,184**	6,104,842
Urgent Housing Programs, Inc.	-	-	-	-	-	-	5,672,717	-	**5,672,717**	3,360,074
Total Program Services	-	33,862,018	37,228,627	5,410,008	-	-	5,672,717	(829,801)	**81,343,569**	71,885,932
Supporting services:										
Fundraising	417,490	-	-	-	-	-	-	-	**417,490**	254,418
Management and general	7,437,884	2,491,534	3,380,033	342,269	-	-	84,093	(6,297,929)	**7,437,884**	5,612,411
Total Supporting Services	7,855,374	2,491,534	3,380,033	342,269	-	-	84,093	(6,297,929)	**7,855,374**	5,866,829
Total Expenses	7,855,374	36,353,552	40,608,660	5,752,277	-	-	5,756,810	(7,127,730)	**89,198,943**	77,752,761
Excess (Deficit) of Public Support and Revenue Over Expenses From Continuing Operations Before Gain (Loss) From Discontinuing Operations	1,125,958	2,141,963	574,545	(37,137)	-	-	(68,807)	-	**3,736,522**	2,559,496
Gain (Loss) From Discontinuing Operations:										
Expenses - Home Attendant Program	-	-	-	-	(125,664)	-	-	-	**(125,664)**	(135,663)
Transfer to funding sources	-	-	-	-	125,664	-	-	-	**125,664**	135,663
	-	-	-	-	-	-	-	-	**-**	-
Change in Net Assets After Gain (Loss) From Discontinuing Operations	1,125,958	2,141,963	574,545	(37,137)	-	-	(68,807)	-	**3,736,522**	2,559,496
Other Changes:										
Assessment from default on workers' compensation trust	-	-	-	-	-	-	-	-	**-**	(196,028)
Asset impairment	-	-	-	-	-	-	-	-	**-**	(3,012,000)
Change in Net Assets	1,125,958	2,141,963	574,545	(37,137)	-	-	(68,807)	-	**3,736,522**	(648,532)
Net Assets (Deficit), Beginning of Year	4,101,130	7,475,406	5,053,195	557,072	-	(90,359)	420,120	-	**17,516,564**	18,165,096
Net Assets (Deficit), End of Year	$5,227,088	$9,617,369	$5,627,740	$ 519,935	$ -	$(90,359)	$ 351,313	$ -	**$21,253,086**	$17,516,564

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Services for the UnderServed and Affiliated Organizations

Combined Financial Statements and Supplementary Information

Year Ended June 30, 2013

Services for the UnderServed and Affiliated Organizations

Combined Financial Statements and Supplementary Information
Year Ended June 30, 2013

Contents

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Independent Auditor's Report

To the Board of Directors
Services for the UnderServed
and Affiliated Organizations
New York, New York

We have audited the accompanying combined financial statements of Services for the UnderServed and Affiliated Organizations ("SUS"), which comprise the combined statement of financial position as of June 30, 2013, 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 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 Services for the UnderServed and Affiliated Organizations as of June 30, 2013, 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 Services for the UnderServed and Affiliated Organizations' 2012 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated January 7, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

BDO USA, LLP

December 16, 2013

Services for the UnderServed and Affiliated Organizations

Combined Statement of Financial Position
(with comparative totals for 2012)

June 30,	**2013**	2012
Assets		
Cash and cash equivalents (Note 2)	**$10,730,608**	$ 9,623,798
Accounts receivable, net of allowance for doubtful accounts of $3,290,101 and $3,742,647 for 2013 and 2012, respectively (Notes 2 and 7)	**12,612,457**	8,096,121
Prepaid expenses and other assets (Note 3)	**1,941,195**	1,965,820
Bond escrow fund (Note 4)	**179,576**	168,958
Due from affiliates (Note 10)	**1,695,522**	2,092,192
Debt service reserve (Note 4)	**1,993,726**	1,993,726
Deferred bond financing costs (Note 9)	**1,067,499**	1,194,287
Fixed assets, net (Notes 2, 5, 7, 8 and 9)	**35,546,212**	37,453,557
	$65,766,795	$62,588,459
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 5,353,763**	$ 4,301,684
Accrued compensation and related taxes	**3,892,156**	3,716,056
Due to affiliates (Note 10)	**1,194,459**	1,961,009
Due to clients	**262,284**	379,546
Other liabilities	**544,106**	29,350
Deferred revenue (Note 12)	**10,320,327**	6,785,141
Due to governmental agencies (Note 6)	**2,051,019**	2,977,185
Workers' compensation assessment payable settlement (Note 17)	**678,837**	505,598
Lines of credit (Note 7)	**3,136,187**	620,000
Mortgages and loans payable (Note 8)	**7,754,243**	8,584,138
Bonds payable (Note 9)	**13,062,850**	14,563,656
Total Liabilities	**48,250,231**	44,423,363
Commitments and Contingencies (Notes 5, 7, 11, 12, 13, 15, 16 and 17)		
Net Assets:		
Unrestricted (Note 16)	**15,008,483**	15,604,492
Temporarily restricted (Note 14)	**2,508,081**	2,560,604
Total Net Assets	**17,516,564**	18,165,096
	$65,766,795	$62,588,459

See accompanying notes to combined financial statements.

Services for the UnderServed and Affiliated Organizations

Combined Statement of Activities
(with comparative totals for 2012)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Totals 2013	Totals 2012
Public Support and Revenue:				
Medicaid income	$38,639,001	$ -	**$38,639,001**	$36,442,479
Contract revenue	33,474,649	-	**33,474,649**	26,180,389
Participant fees	7,008,266	-	**7,008,266**	6,929,695
Contributions	220,665	250,000	**470,665**	386,606
Special events:				
Gross receipts	552,481	-	**552,481**	374,000
Less: Cost of special events	(428,253)	-	**(428,253)**	(418,243)
Management fees (Note 10)	289,677	-	**289,677**	127,065
Other	305,771	-	**305,771**	310,640
Net assets released from restrictions (Note 14)	302,523	(302,523)	**-**	-
Total Public Support and Revenue	80,364,780	(52,523)	**80,312,257**	70,332,631
Expenses:				
Program services:				
SUS – Mental Health Programs, Inc.	29,288,884	-	**29,288,884**	25,895,223
SUS – Developmental Disabilities Services, Inc.	33,132,132	-	**33,132,132**	31,417,011
SUS – AIDS Services, Inc.	6,104,842	-	**6,104,842**	5,836,901
SUS – Urgent Housing Programs, Inc.	3,360,074	-	**3,360,074**	-
Total Program Services	71,885,932	-	**71,885,932**	63,149,135
Supporting services:				
Fundraising	254,418	-	**254,418**	220,000
Management and general	5,612,411	-	**5,612,411**	6,185,573
Total Supporting Services	5,866,829	-	**5,866,829**	6,405,573
Total Expenses	77,752,761	-	**77,752,761**	69,554,708
Excess (Deficit) of Public Support and Revenue Over Expenses From Continuing Operations Before Gain (Loss) From Discontinuing Operations	2,612,019	(52,523)	**2,559,496**	777,923
Gain (Loss) From Discontinuing Operations:				
Expenses – Home Attendant Program (Note 16)	(135,663)	-	**(135,663)**	(515,418)
Transfer from funding sources (Note 16)	135,663	-	**135,663**	515,418
	-	-	**-**	-
Change in Net Assets After Gain (Loss) From Discontinuing Operations	2,612,019	(52,523)	**2,559,496**	777,923
Other Changes:				
Assessment from default on workers' compensation trust (Note 17)	(196,028)	-	**(196,028)**	-
Asset impairment (Notes 5 and 18)	(3,012,000)	-	**(3,012,000)**	-
Change in Net Assets	(596,009)	(52,523)	**(648,532)**	777,923
Net Assets, Beginning of Year	15,604,492	2,560,604	**18,165,096**	17,387,173
Net Assets, End of Year	**$15,008,483**	**$2,508,081**	**$17,516,564**	$18,165,096

See accompanying notes to combined financial statements.

Services for the UnderServed and Affiliated Organizations

Combined Statement of Functional Expenses
(with comparative totals for 2012)

Year ended June 30,

	Program Services					Supporting Services			Total	
	SUS – Mental Health Programs, Inc.	SUS – Developmental Disabilities Services, Inc.	SUS – AIDS Services, Inc.	SUS – Urgent Housing Programs, Inc.	Total Program Services	Fundraising	Management and General	Total Supporting Services	**2013**	2012
Salaries and Related Expenses:										
Salaries	$10,719,995	$16,550,471	$2,421,128	$ 875,447	$30,567,041	$185,269	$2,509,013	$2,694,282	**$33,261,323**	$30,022,560
Fringe benefits	2,309,307	5,248,391	599,597	70,942	8,228,237	37,526	357,035	394,561	**8,622,798**	8,310,108
Total Salaries and Related Expenses	13,029,302	21,798,862	3,020,725	946,389	38,795,278	222,795	2,866,048	3,088,843	**41,884,121**	38,332,668
Other Expenses:										
Food	426,217	768,930	22,639	131,180	1,348,966	474	17,912	18,386	**1,367,352**	1,354,525
Rent	7,034,892	514,077	2,040,660	929,760	10,519,389	2,791	222,696	225,487	**10,744,876**	8,467,523
Facility tax	-	431,196	-	-	431,196	-	4,174	4,174	**435,370**	294,893
Telephone and utilities	1,434,739	954,560	287,140	29,496	2,705,935	2,423	217,295	219,718	**2,925,653**	2,238,236
Transportation	175,423	1,310,687	38,485	95,800	1,620,395	3,479	123,495	126,974	**1,747,369**	1,446,291
Office supplies and postage	79,257	85,100	16,234	24,432	205,023	2,334	129,466	131,800	**336,823**	433,628
Lease equipment	199,969	257,842	23,661	17,696	499,168	3,500	55,804	59,304	**558,472**	786,628
Repairs and maintenance	859,511	587,016	102,389	61,286	1,610,202	28	177,706	177,734	**1,787,936**	1,996,390
Professional and consultant fees	314,786	539,940	70,911	146,353	1,071,990	707	492,679	493,386	**1,565,376**	974,239
Household supplies	245,658	537,353	61,080	116,591	960,682	-	11,672	11,672	**972,354**	952,433
Furniture and equipment expense	825,975	597,091	103,767	120,701	1,647,534	1,567	251,973	253,540	**1,901,074**	1,573,552
Insurance	387,324	273,931	47,206	164,127	872,588	-	31,732	31,732	**904,320**	653,334
Community outreach and recruitment	131,435	38,986	1,000	26,126	197,547	-	117,689	117,689	**315,236**	449,468
Client incidentals	296,894	198,939	15,779	327	511,939	10	8,826	8,836	**520,775**	460,605
Staff training	46,468	168,295	4,782	4,700	224,245	240	108,334	108,574	**332,819**	279,472
Interest expense	463,138	502,032	-	-	965,170	-	194,729	194,729	**1,159,899**	1,222,492
Temporary labor	1,690,020	2,308,262	168,375	543,847	4,710,504	-	98,747	98,747	**4,809,251**	3,996,529
Real estate taxes	11,283	15,449	1,470	-	28,202	-	-	-	**28,202**	29,237
Miscellaneous	260,383	60,424	5,927	1,165	327,899	14,070	176,450	190,520	**518,419**	518,285
Start up cost	72,656	1,545	-	-	74,201	-	-	-	**74,201**	53,451
Sheltered workshop	-	8,477	-	-	8,477	-	-	-	**8,477**	33,908
Broker and bond administrative fees	98,594	16,775	1,049	98	116,516	-	43,211	43,211	**159,727**	87,625
Bad debt expense	-	-	-	-	-	-	-	-	**-**	86,233
Total Expenses Before Depreciation and Amortization	28,083,924	31,975,769	6,033,279	3,360,074	69,453,046	254,418	5,350,638	5,605,056	**75,058,102**	66,721,645
Depreciation and Amortization	1,204,960	1,156,363	71,563	-	2,432,886	-	261,773	261,773	**2,694,659**	2,833,063
Total Expenses	**$29,288,884**	**$33,132,132**	**$6,104,842**	**$3,360,074**	**$71,885,932**	**$254,418**	**$5,612,411**	**$5,866,829**	**$77,752,761**	$69,554,708

See accompanying notes to combined financial statements.

Services for the UnderServed and Affiliated Organizations

Combined Statement of Cash Flows
(with comparative totals for 2012)

Year ended June 30,	**2013**	2012
Cash Flows From Operating Activities:		
Change in net assets	**$ (648,532)**	$ 777,923
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**2,694,659**	2,833,063
Asset impairment	**3,012,000**	-
Provisions for bad debt	**-**	86,233
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(4,516,336)**	34,520
Prepaid expenses and other assets	**24,625**	(379,963)
Due from affiliates	**396,670**	(518,391)
Deferred bond financing costs	**-**	(112,598)
Increase (decrease) in:		
Accounts payable and accrued expenses	**1,052,078**	31,798
Accrued compensation and related taxes	**176,100**	460,282
Due to affiliates	**(766,550)**	354,848
Due to clients	**(117,262)**	(38,965)
Other liabilities	**514,756**	27,483
Deferred revenue	**3,535,187**	(1,263,409)
Due to governmental agencies	**(926,166)**	(892,951)
Workers' compensation assessment payable settlement	**173,239**	(31,904)
Net Cash Provided By Operating Activities	**4,604,468**	1,367,969
Cash Flows From Investing Activities:		
Purchase of fixed assets	**(3,672,526)**	(2,987,079)
Cash Flows From Financing Activities:		
Bond escrow fund	**(10,618)**	(4,184)
Debt service reserve fund	**-**	(135,945)
Payments of bond principal	**(1,500,806)**	(1,482,037)
Payments of line of credit	**(220,000)**	(1,471,191)
Payments of mortgages and loans payable	**(829,895)**	(827,771)
Proceeds from bonds payable	**-**	1,822,091
Proceeds from line of credit	**2,736,187**	620,000
Net Cash Provided By (Used In) Financing Activities	**174,868**	(1,479,037)
Net Increase (Decrease) in Cash and Cash Equivalents	**1,106,810**	(3,098,147)
Cash and Cash Equivalents, Beginning of Year	**9,623,798**	12,721,945
Cash and Cash Equivalents, End of Year	**$10,730,608**	$ 9,623,798
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 1,159,899**	$ 1,222,492

See accompanying notes to combined financial statements.

1. Nature of Organization

Services for the UnderServed and Affiliated Organizations ("SUS") was established in 1978 and currently serves approximately 7,500 people with special needs in New York City, primarily in Brooklyn, the Bronx, and Queens. SUS, through its affiliate corporations, provides a wide range of programs and services, tailoring them to meet the needs, goals and preferences of the persons they serve. These services include residential, day programs, peer advocacy, employment services, home care, and harm reduction education. Services are provided to:

- Elderly and/or disabled individuals
- Persons with a mental illness
- Individuals with HIV/AIDS
- Adults with a developmental disability
- Homeless and marginalized individuals

2. Summary of Significant Accounting Policies

(a) Principles of Combination

The combined financial statements include the accounts of SUS and affiliated organizations which are affiliated through common Board membership, common management and/or common ownership. All material intercompany transactions and balances have been eliminated. The following entities are included in the combined financial statements:

Services for the UnderServed, Inc. (corporate).

SUS – Mental Health Programs, Inc.

SUS – Developmental Disabilities Services, Inc.

SUS – AIDS Services, Inc.

SUS – Home Attendant Program, Inc.

SUS – Home Care Services, Inc. (There were no expenses or revenues for the year ended June 30, 2013).

SUS – Urgent Housing Programs, Inc.

SUS is the sole member of SUS - Mental Health Programs, Inc. which, in turn, is related to other affiliates, New Life Homes Housing Development Fund Corporation, Macombs Road Housing Development Fund Corporation, Mother Gaston Housing Development Fund Company, Inc. and 21 Truxton Street Housing Development Fund Corporation; however, it is not presented in these combined financial statements since it does not meet the criteria for consolidation.

(b) Basis of Presentation

The combined financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit organizations. 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.

(c) 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 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 SUS and affiliated organizations is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of SUS and affiliated organizations.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by SUS and affiliated organizations is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of SUS and affiliated organizations 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 statement of activities.

(iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(d) Cash and Cash Equivalents

SUS considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(e) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of the assets are as follows:

Buildings and building improvements	25 years
Leasehold improvements	25 years
Furniture and equipment	5-7 years
Vehicles	5-7 years

(f) Revenue Recognition

Revenue from governmental grants is recognized as the expenditures for each contract are incurred. All grant monies received in excess of revenue earned are recorded as deferred revenue. Revenue from fees for service programs is recognized as they are earned (services are provided daily and/or monthly).

Reimbursements are subject to audit and retroactive adjustment by the respective third party fiscal intermediary. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

SUS receives Supplemental Security Income ("SSI") and Social Security Income ("SSA") payments for the participants. A portion of the SSI/SSA payments represents the participants' contributions toward the cost of goods and services and is recognized as revenue when received. The remaining portion of SSI/SSA represents the participants' personal allowance and is recognized as a liability due to clients.

Participant fees represent the participant's personal contribution towards the cost of goods and services SUS is allowed to charge as regulated by Federal and state law.

Net patient service revenue is 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 the related services are rendered and adjusted in future periods, as final settlements are determined.

(g) Contributions and Promises to Give

Contributions and promises to give are recorded as revenue when either unsolicited cash is received or when donors make a promise to give. Contributions and promises to give are classified as either unrestricted, temporarily restricted, or permanently restricted support.

Contributions of property and equipment are recorded at the fair market value of the property and equipment at the time of contribution.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

(h) Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(i) Comparative Financial Information

The financial statements include certain prior year summarized comparative information. The statement of activities is presented in total rather than by net assets 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with SUS's financial statements for the year ended June 30, 2012 from which the summarized information was derived.

(j) Concentration of Credit Risk

The financial instruments that potentially subject SUS to concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions which, from time to time, exceed the Federal Depository Insurance Coverage ("FDIC") limit.

(k) Due to Governmental Agencies

Due to governmental agencies consists of operational advances, retroactive rate adjustments and advances received from New York State Office for People With Developmental Disabilities ("OPWDD"), the New York State Office of Mental Health ("OMH"), the New York State Department of Health ("DOH") and other advances due to the New York City Human Resources Administration ("HRA"). OPWDD recoups the liability through withholdings from Medicaid remittances over a specified period of time.

(l) Fair Value Measurements

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement", 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. SUS classifies 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.

(m) Income Taxes

SUS was incorporated in the State of New York and is exempt from Federal and state 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, SUS 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 June 30, 2013.

Under ASC 740, "Income Taxes," 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 upon examination by a taxing authority. SUS does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. SUS has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, SUS has filed Internal Revenue Service Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2013, there was no interest or penalties recorded or included in the combined statement of activities. SUS is subject to routine audits by a taxing authority. As of June 30, 2013, SUS was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to 2009.

(n) Long-Lived and Depreciable Assets

Contracts with funding agencies generally provide that purchases of fixed assets are expensed at the time of acquisition for cost reporting and reimbursement purposes although certain contracts contain reversion of title or similar provisions with respect to fixed assets purchased under the contract, principally in the event of early termination of the agreements or cancellation of the programs. For financial reporting purposes, such acquisitions are capitalized and depreciated over their estimated useful lives. Since the ongoing operation of SUS's programs is assumed, the resulting net assets are presented in the combined financial statements as unrestricted.

Contributions 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.

(o) Impairment of Long-Lived Assets

SUS reviews long-lived assets, including property and equipment and intangible 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 estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the facility damages as a result of Superstorm Sandy, SUS recorded an impairment loss of $3,012,000 for the year ended June 30, 2013.

(p) Deferred Revenue

Deferred revenue relates to preoperative costs through June 30, 2013 incurred by SUS to run programs and construction of new facilities. The funding source advances SUS for said costs based on a budget submitted. The final payment is based upon actual expenditures.

(q) Cost Allocation

Management and general expenses include expenditures for the overall direction of SUS, general recordkeeping, business management, budgeting and related purposes. Such expenses are allocated to individual programs for cost reporting and reimbursement purposes in proportion to the direct program expenses incurred. Certain other shared program expenses are allocated to individual programs using specific allocation methods.

3. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consists of the following:

June 30, 2013	
Security deposits	$1,114,498
Prepaid expenses	496,725
Dormitory Authority of the State of New York surplus funds	329,972
	$1,941,195

4. Debt Service Reserve and Bond Escrow Fund

Debt service reserve represents funds held by OPWDD, Deutsche Bank Trust Company Americas and Bank of New York Mellon, (collectively, the “Trustee”). These funds will be applied to the last payment required on the mortgages with the Facilities Development Corporation (“FDC”) and bonds due to the Dormitory Authority of the State of New York Office of Mental Health (“DASNY”) and NYC Industrial Development Agency (“IDA”). This reserve will earn interest which will be used to offset SUS’s obligations. As of June 30, 2013, the Trustee has $1,993,726 in debt service reserve.

Bond escrow fund represents funds held by Deutsche Bank Trust Company Americas and Bank of New York Mellon. These funds will be applied to expenses associated with DASNY and IDA bonds. As of June 30, 2013, the Trustee has $179,576 in bond escrow funds.

SUS’s financial instruments are carried at fair value and have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2(l) for a discussion of SUS’s policies regarding this hierarchy.

SUS’s publicly-traded U.S. Treasury money market funds, U.S. Treasury bills and U.S. Treasury notes are carried at their aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily. The valuation of these investments is based on Level 1 inputs within the hierarchy used in measuring fair value.

SUS’s holdings in publicly-traded fixed income securities consist of U.S. government-sponsored agency securities. SUS’s Trustee prices these investments using nationally recognized pricing services. Since fixed income securities other than U.S. Treasury securities generally do not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using their proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. The valuation of these investments is based on Level 2 inputs within the hierarchy used in measuring fair value.

The following table presents the level within the fair value hierarchy at which SUS’s financial assets and financial liabilities are measured on a recurring basis at June 30, 2013:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance as of June 30, 2013
Assets			
Money market funds	$1,311,734	$ -	$1,311,734
U.S. government obligations	404,285	457,283	861,568
Total assets	$1,716,019	$457,283	$2,173,302

5. Fixed Assets, Net

Major classes of fixed assets, net consist of the following:

June 30, 2013	
Land	$ 2,044,297
Building and building improvements	59,113,135
Leasehold improvements	1,532,270
Furniture and equipment	6,373,165
Vehicles	524,837
Total fixed assets	69,587,704
Less: Accumulated depreciation and amortization	(34,041,492)
Fixed assets, net	$ 35,546,212

For the year ended June 30, 2013, depreciation and amortization expense was $2,694,659.

One of the SUS locations was destroyed during Hurricane Sandy in October 2012. SUS entered into approximately $3,000,000 of capital commitments in relation to its property reconstruction. The remaining net book value of $3,012,000 at December 31, 2012 was written off to asset impairment as of June 30, 2013. Related depreciation expense of $156,235 for the period of January to June 2013 was abolished as well. Reconstruction related costs for the total amount of $678,370 were capitalized at June 30, 2013.

Three SUS projects went from the Development to the Operational phase during the second half of fiscal year 2013. Construction-in-progress for the total of $2,873,664 was reclassed to building and building improvement at June 30, 2013.

6. Due to Governmental Agencies

Due to governmental agencies consists of the following:

June 30, 2013	
Other advances due to OMH and New York City to be recouped	$1,902,134
Other advances due to DOH	148,885
	$2,051,019

7. Lines of Credit

SUS and its affiliated organizations have a $6,000,000 working capital line of credit with Bank of America against which $400,000 is outstanding for SUS at June 30, 2013. The line of credit matures on June 30, 2014 and the interest rate is equal to the prime rate (3.25%) plus 0.25%. There is also a quarterly fee on the unused available line of credit amount of 0.25%. The loan is guaranteed by SUS and all of its affiliates, collectively and individually, and is collateralized by a first-priority perfected securities interest in SUS's and its affiliated organizations' present and future accounts receivable and personal property and fixtures.

SUS also has a $4,000,000 acquisition line of credit with Bank of America. The line of credit matures on June 30, 2014 and the interest rate is 0.25% in excess of the prime rate. The loan is guaranteed by a negative pledge on the related residence and related leased location. The total amount outstanding as of June 30, 2013 is $2,736,187.

8. Mortgages and Loans Payable

Mortgages and loans payable consist of the following:

June 30, 2013	
Mortgage payable to Dormitory Authority of the State of New York ("DASNY") - OMH, due December 1, 2015, payable in semiannual payments of $40,897, including interest at 7.72% per annum, secured by real estate located on Patchen Avenue, Brooklyn, New York	$ 180,428
Mortgage payable to DASNY - OMH, due June 1, 2019, payable in semiannual payments of $56,065, including interest at 6.21% per annum, secured by real estate located on St. Marks Avenue, Brooklyn, New York	554,526
Mortgage payable to DASNY - OMH, due June 1, 2019, payable in semiannual payments of $47,400, including interest at 6.20% per annum, secured by real estate located on Patchen Avenue, Brooklyn, New York	468,774
Mortgage payable to DASNY - OMH, due December 1, 2020, payable in semiannual payments of $144,024, including interest at 5.58% per annum, secured by real estate located on Knickerbocker Avenue, Brooklyn, New York	1,745,735
Mortgage payable to DASNY - OMH, due June 1, 2023, payable in semiannual payments of $33,222, including interest at 5.40% per annum, secured by real estate located on Classon Avenue, Brooklyn, New York	507,940
Mortgage payable to DASNY - OMH, due June 1, 2022, payable in semiannual payments of $272,229, including interest at 5.27% per annum, secured by real estate located on Beach 85th Street, Queens, New York	3,860,340
Mortgage payable to FDC, due August 15, 2018, payable in semiannual debt service and administrative fee payments of approximately $30,000, including interest at 6.16% per annum, secured by real estate located on Cornelia Street, Brooklyn, New York.	176,500
Mortgage payable to FDC, due August 15, 2018, payable in semiannual debt service and administrative fee payment of approximately $33,000, including interest at 6.16% per annum, secured by real estate located on 45th Avenue, Flushing, New York.	260,000
	$7,754,243

Mortgages and loans payable mature as follows:

Year ended June 30,	
2014	$ 883,406
2015	929,480
2016	943,875
2017	959,468
2018	951,199
Thereafter	3,086,815
	$7,754,243

9. Bonds Payable

(a) DASNY

On June 25, 2003, the Services for the Underserved – Developmental Disabilities Services, Inc. ("DD") and Services for the Underserved, Inc. entered into an agreement with DASNY.

Under the terms of the agreement, DASNY has issued Insured Revenue Series 2003A and Series 2003B bonds in the aggregate principal amount of $9,545,000, which mature July 1, 2023. Bond payments, including interest and principal, are required to be made monthly to Deutsche Bank Trust Company Americas, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The Series 2003A bonds bear interest ranging from 3.0% to 5.125%, net interest cost of 4.675% per annum. The Series 2003B bonds bear interest at 5.38% per annum. The principal amount outstanding at June 30, 2013 was $3,885,000.

In March 2010, DD entered into a loan agreement with DASNY. Under the terms of the agreement, DASNY issued Insured Revenue Series 2010A-1 bonds in the principal amount of $3,735,000, which mature on July 1, 2025. DASNY also issued Series 2010A-2 bonds in the principal amount of $80,000, which matured on July 1, 2012. Bond payments, including interest and principal, are required to be made monthly to Deutsche Bank Trust Company Americas, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The bonds bear interest ranging from 1.5% to 5% per annum. The principal amount outstanding at June 30, 2013 was $2,680,000.

In April 2012, under the terms of the agreement, DASNY issued Insured Revenue Series 2012A-1 bonds in the principal amount of $1,685,000 at a premium of $72,091. DASNY also issued 2012A-2 bonds in the principal amount of $65,000. Series 2012A-1 and 2012A-2 bonds mature on July 1, 2027 and July 1, 2013, respectively. Bond payments, including interest and principal, are required to be made monthly to Deutsche Bank Trust Company Americas, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The Series 2012A-1 bond bears interest ranging from 3% to 5% per annum. The Series 2012A-2 bond bears interest at 1.75% per annum. The principal amounts outstanding on the Series 2012A-1 and Series 2012A-2 bonds at June 30, 2013 were $1,630,000 and $-0-, respectively. The unamortized premium on the Series 2012A-1 bonds at June 30, 2013 was $67,285.

(b) IDA

On March 2, 2005, DD entered into a capital lease financing agreement with NYC Industrial Development Agency ("IDA"). Under the terms of the agreement, IDA issued $2,690,000 of Series 2005A term bonds, net of bond discount of $47,755. Interest rates range from 2% to 3% and mature in 2020. Bond payments, including interest and principal, are required to be made monthly to Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installments January 1 and July 1 of each year. The principal amount outstanding at June 30, 2013 was $1,250,000.

On June 9, 2006, Services for the Underserved, Inc. entered into a capital lease financing agreement with NYC Industrial Development Agency ("IDA"). Under the terms of the agreement, IDA issued an aggregate of $1,679,077 of Series 2006 C-1 and C-2 term bonds, at interest rates ranging from 4.15% to 6.05% and mature in 2031. Bond payments, including interest and principal, are required to be made semiannually to the Bank of New York Mellon, which maintains a debt service reserve fund account and makes semiannual installments January 1 and July 1 of each year. The principal amount outstanding at June 30, 2013 was $1,348,065.

In October 2007, DD entered into a capital lease financing agreement with IDA. Under the terms of the agreement, IDA issued $3,695,000 of Series 2007B term bonds at a discount of $73,900. Interest rates range from 4.87% to 5.29% and mature in 2022. Bond payments, including interest and principal, are required to be made monthly to the Bank of New York Mellon, which maintains a debt service reserve fund account and makes semi-annual installment payments on January 1 and July 1 of each year. The principal amount outstanding at June 30, 2013 was $2,202,500.

In addition to the construction cost of the projects, bond proceeds were used to pay bond issuance costs of $823,773 for DASNY and $867,173 for IDA, respectively, which are being amortized over the lives of the bonds. At June 30, 2013, $126,788 of amortized bond costs is included in depreciation and amortization.

Future minimum debt service payments are as follows:

Year ending June 30,	
2014	$ 1,485,000
2015	1,465,000
2016	1,080,000
2017	1,015,000
2018	1,025,000
Thereafter	6,925,565
	12,995,565
Plus: Unamortized premium	67,285
	$13,062,850

10. Transactions With Related Parties

(a) Based on a written agreement in February 2002, SUS receives partnership management fees from the DeWitt Avenue Supportive Housing Project owned by New Life Homes, Limited Partnership ("NLHLP"). The Partnership has one general partner, New Life Homes, Inc., which has a .01% interest. The sole shareholder of New Life Homes, Inc. is New Life Homes Housing Development Fund Corporation ("HDFC"). SUS is the sole member of SUS - Mental Health Programs, Inc. which, in turn, is the sole member of the HDFC. The limited partner of NLHLP is the National Equity Fund – 1999 Limited Partnership, which has a 99.99% interest.

During fiscal year end 2013, $400,000 of the development fee was provided to SUS to be used to fund a social reserve.

SUS is entitled to an annual partnership management fee of 6.7% of gross potential income. SUS received management fees of $34,583 from New Life Homes, LP for the year ended June 30, 2013. At June 30, 2013, SUS had a payable and a receivable of $55,858 and $3,988, respectively, to NLHLP.

(b) Family Residences & Essential Enterprises, Inc. ("FREE") entered into an agreement in August 2010 that substitutes FREE for SUS as sole member of the CDCH Preschool and CDCH Charter School. The agreement also provides that FREE replace SUS in its relationship with CDCH Foundation. The agreement with respect to CDCH Preschool closed on September 1, 2010, and the remaining parts of the agreement for CDCH Charter School closed on October 27, 2010. As consideration for the agreement, FREE paid SUS the balances due to SUS by CDCH Preschool and CDCH Charter School at closing, subject to a ten-year promissory note of $500,000 issued at prime

plus 1.5%. The note receivable from FREE was $173,511, net of allowance for bad debt of $326,489 at June 30, 2013.

(c) SUS is the sole member of SUS - Mental Health Programs, Inc. which, in turn, is the sole member of Macombs Road Housing Development Fund Corporation (“Macombs HDFC”) and Macombs HDFC owns all the outstanding shares of Macombs Road Housing G.P., Inc. (“Macombs HGP”) which is the general partner of Macombs Road Housing L.P. (“Macombs HLP”). Macombs HGP has a 0.01% interest in Macombs HLP. The limited partner of Macombs HLP is Enterprise BB Fund I, LP which has a 99.99% interest.

Macombs HLP was formed to own and operate a supportive housing program. SUS shares common staff with Macombs HLP and is entitled to be reimbursed for costs incurred related to the operation of the Macombs Supportive Housing Program. SUS is entitled to an annual partnership management fee of 8% of gross potential income. SUS had a payable and a receivable of $784,047 and $858,093, respectively, to Macombs HLP as of June 30, 2013.

(d) SUS is the sole member of SUS - Mental Health Programs, Inc. which, in turn, is the sole member of Mother Gaston Housing Development Fund Company, Inc. (“Mother Gaston HDFC”) and Mother Gaston HDFC owns all the outstanding shares of Mother Gaston Housing G.P. Inc. (“Mother Gaston HGP”) which is the general partner of Mother Gaston Housing L.P. (“Mother Gaston HLP”). Mother Gaston HGP has a 0.01% interest in Mother Gaston HLP. The limited partner of Mother Gaston HLP is Richman Asset Management, Inc. which has a 99.99% interest.

Mother Gaston HLP was formed to own and operate a supportive housing program. SUS shares common staff with Mother Gaston HLP and is entitled to be reimbursed for costs incurred related to the operation of the Mother Gaston Supportive Housing Program. SUS is entitled to an annual partnership management fee of 8% of gross potential income. SUS received management fees of $43,293 from Mother Gaston L.P. for the year ended June 30, 2013. SUS had a payable and a receivable from Mother Gaston HLP of $28,986 and $4,548, respectively, as of June 30, 2013.

(e) SUS is the sole member of SUS-Mental Health Programs Inc. which, in turn, is the sole member of 21 Truxton Street Housing Development Fund Corporation (“Truxton HDFC”). Truxton HDFC owns all of the outstanding shares of 21 Truxton Street G.P, Inc. (“Truxton, G.P.”) which is the general partner of 21 Truxton Street, L.P. (“Truxton L.P.”). The interest of Truxton G.P. in Truxton L.P. is 0.01%. The limited partner of Truxton L.P. is The Bank of America Housing Fund IX Limited Partnership, LLP which has a 99.9% interest.

Truxton L.P. was formed to own and operate supportive housing programs. SUS and SUS-Mental Health Programs, Inc. share common staff with Truxton L.P. and SUS is entitled to be reimbursed for costs incurred related to the operation of Truxton L.P. For the year ended June 30, 2013, SUS did not receive any income from Truxton L.P. SUS had a receivable from Truxton L.P. for $337,202 as of June 30, 2013.

The financial statements of NLHLP, Macombs HLP, Mother Gaston HLP and Truxton L.P. have not been combined with SUS, as the limited partners have substantive participating rights which effectively give them the ability to participate in significant decision making activities during the ordinary course of business.

11. Pension Plan

Upon termination of the Services for the Underserved, Inc. 401(k) and Profit Sharing Plan on December 31, 2008, SUS established the plan on January 1, 2009 as a defined contribution plan covering all eligible employees of SUS. The plan is administered by SUS. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Employer contributions to the 403(b) plan are discretionary and may vary from year to year. There were no employer contributions to the 403(b) plan for the year ended June 30, 2013.

SUS adopted a deferred compensation retirement plan (the "457 Plan") under Section 457(f) of the Internal Revenue Code. The 457 Plan is intended to provide deferred compensation for a group of SUS management employees. SUS contributed $91,260 to the 457 Plan for the year ended June 30, 2013.

12. Deferred Revenue

Deferred revenue consists of the following:

June 30, 2013	
Construction and acquisition costs for the Montrose, Marcy Avenue and Briarwood facilities which were financed by grants from the State of New York, Office of Mental Health ("OMH"), which stipulated that SUS will take title to the land and building after 20 years of meeting operational requirements	$ 4,468,517
Various Mental Health Program contract advances for fiscal year 2014	3,746,985
Additional OMH funding received for capital improvements for various Mental Health Program facilities	367,136
Various AIDS services contract advances for fiscal year 2014	433,147
Surplus income generated from Home Attendant Program	1,156,097
Other deferred revenue	148,445
	$10,320,327

13. Commitments

Leases

SUS is obligated under various lease agreements for the use of several residential apartments, office space, equipment and vehicles. SUS has the option to renew certain leases upon expiration. Rental expense was $10,744,876 for the year ended June 30, 2013. The minimum future annual rental payments are as follows:

Year ending June 30,	
2014	$ 8,118,028
2015	4,789,223
2016	2,322,177
2017	2,036,850
2018	2,012,799
Thereafter	6,410,595
Total	$25,689,672

14. Temporarily Restricted Net Assets

SUS has temporarily restricted net assets that are available for the following purposes:

June 30, 2013	
Hotel Majestic and capital expenditures for Services for the UnderServed - Mental Health Programs, Inc.	$2,348,081
Veteran's employment and housing services	160,000
	$2,508,081

SUS's net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

June 30, 2013	
Hotel Majestic and capital expenditures for Services for the UnderServed - Mental Health Programs, Inc.	$212,523
Veteran's employment and housing services	90,000
	$302,523

15. Contingencies

SUS is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. SUS management is of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on SUS's financial position.

16. Transfer to Funding Source

On March 31, 2011, HRA did not renew its contract for the provision of home attendant services with SUS – Home Attendant Program, Inc. ("SUS-HA"). All clients were transferred to other providers in April 2011. Pursuant to the agreement between HRA and SUS-HA, the costs incurred to discontinue the program's operations are funded by HRA by the reduction of the payable balance between SUS–HA and HRA. HRA will continue to fund these costs until the program is fully liquidated. For the year ended June 30, 2013, the costs incurred for discontinuing operations were $135,663.

17. Workers' Compensation Assessment Payable Settlement

Between 1999 and 2003, SUS participated in a group self-insurance trust (the "Trust") along with multiple other agencies in the human services, not-for-profit sector. On December 31, 2010, the Trust was terminated with a deficiency of assets. The Trust billed all former members of the Trust with an assessed portion of the total deficit. SUS's assessment was $537,502 and it was recorded by SUS in the year ended June 30, 2011.

In July 2011, the State of New York Workers' Compensation Board (the "Board") assumed the administration and final distribution of the assets and liabilities of the Trust. Following a forensic audit, the Board issued newly calculated assessments and they were higher than those formerly issued by the Trust. The new assessment for SUS was $733,530. The increase in the assessment of $196,028 was recorded in the year ended June 30, 2013. Payments made in 2012 and 2013 toward the assessment amounted to $54,693. The amount outstanding at June 30, 2013 was $678,837.

The liability of former members for Trust deficits is "joint and several". While SUS has recorded the full amount of the assessments calculated by the Board, default by other members of the Trust could create future assessments for non-defaulting members. In light of the expansive authority of the Board to recover assessments from all former members, SUS believes the likelihood of an additional assessment is remote.

18. Losses and Recoveries Related to Superstorm Sandy

During 2013, a major SUS facility located in Far Rockaway, Queens, New York was impacted by Superstorm Sandy. The costs incurred by SUS as a result of the Superstorm include cleanup, relocation of residents to alternative housing, capital reconstruction and mitigation measures. These costs will be recovered through disaster relief awarded by the Federal Emergency Management Agency ("FEMA") and a Social Services Block Grant awarded by New York State in August 2013 and October 2013, respectively. During 2013, SUS incurred cleanup and transition costs of $906,501 and capital reconstruction costs of $678,370 and recorded recoveries in the same amounts. The total cost related to restoring the facility to its pre-Sandy condition is $3,012,000. Reconstruction of the facility will be substantially completed by December 2013.

19. Subsequent Events

SUS has evaluated subsequent events through December 16, 2013, which is the date these combined financial statements were available to be issued. No events arose during the period which required additional disclosures.

Independent Auditor's Report on Supplementary Information

Our audit of the combined financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements taken 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 taken as a whole.

BDO USA, LLP

New York, New York

December 16, 2013

Services for the UnderServed and Affiliated Organizations

Combining Statement of Financial Position
(with comparative totals for 2012)

June 30,

	Services for the Underserved, Inc.	SUS - Mental Health Programs, Inc.	SUS - Developmental Disabilities Services, Inc.	SUS - AIDS Services, Inc.	SUS - Home Attendant Program, Inc.	SUS - Home Care Services, Inc.	SUS - Urgent Housing Programs, Inc.	Eliminations	Total 2013	Total 2012
Assets										
Cash and cash equivalents	$ 6,907,162	$ 2,393,682	$ 38,442	$ 6,445	$1,247,256	$137,221	$ 400	$ -	**$10,730,608**	$ 9,623,798
Accounts receivable, net	251,125	4,794,264	5,011,481	1,146,525	-	3,296	1,405,766	-	**12,612,457**	8,096,121
Prepaid expenses and other assets	242,274	1,340,522	175,858	178,806	143	3,592	-	-	**1,941,195**	1,965,820
Bond escrow fund	-	-	179,576	-	-	-	-	-	**179,576**	168,958
Due from affiliates, net	3,584,780	5,175,201	-	-	-	-	-	(7,064,459)	**1,695,522**	2,092,192
Debt service reserve	483,460	-	1,510,266	-	-	-	-	-	**1,993,726**	1,993,726
Deferred bond financing costs	292,834	-	774,665	-	-	-	-	-	**1,067,499**	1,194,287
Fixed assets, net	2,563,820	15,109,875	17,123,576	325,122	-	-	423,819	-	**35,546,212**	37,453,557
	$14,325,455	**$28,813,544**	**$24,813,864**	**$1,656,898**	**$1,247,399**	**$144,109**	**$1,829,985**	**$(7,064,459)**	**$65,766,795**	$62,588,459
Liabilities and Net Assets (Deficit)										
Liabilities:										
Accounts payable and accrued expenses	$ 1,812,351	$ 782,859	$ 2,388,108	$ 119,394	$ 32,006	$ 26,461	$ 192,584	$ -	**$ 5,353,763**	$ 4,301,684
Accrued compensation and related taxes	541,068	1,160,349	1,874,850	211,362	18,398	-	86,129	-	**3,892,156**	3,716,056
Due to affiliates	326,563	868,891	5,357,900	335,923	40,898	208,007	1,120,736	(7,064,459)	**1,194,459**	1,961,009
Due to clients	-	207,643	54,641	-	-	-	-	-	**262,284**	379,546
Other liabilities	17,809	515,881	-	-	-	-	10,416	-	**544,106**	29,350
Deferred revenue	148,445	8,582,638	-	433,147	1,156,097	-	-	-	**10,320,327**	6,785,141
Due to government agencies	-	1,902,134	148,885	-	-	-	-	-	**2,051,019**	2,977,185
Workers' compensation assessment payable settlement	678,837	-	-	-	-	-	-	-	**678,837**	505,598
Lines of credit	3,136,187	-	-	-	-	-	-	-	**3,136,187**	620,000
Mortgages and loans payable	-	7,317,743	436,500	-	-	-	-	-	**7,754,243**	8,584,138
Bonds payable	3,563,065	-	9,499,785	-	-	-	-	-	**13,062,850**	14,563,656
Total Liabilities	10,224,325	21,338,138	19,760,669	1,099,826	1,247,399	234,468	1,409,865	(7,064,459)	**48,250,231**	44,423,363
Commitments and Contingencies										
Net Assets (Deficit):										
Unrestricted	4,101,130	4,967,325	5,053,195	557,072	-	(90,359)	420,120	-	**15,008,483**	15,604,492
Temporarily restricted	-	2,508,081	-	-	-	-	-	-	**2,508,081**	2,560,604
Total Net Assets (Deficit)	4,101,130	7,475,406	5,053,195	557,072	-	(90,359)	420,120	-	**17,516,564**	18,165,096
	$14,325,455	**$28,813,544**	**$24,813,864**	**$1,656,898**	**$1,247,399**	**$144,109**	**$1,829,985**	**$(7,064,459)**	**$65,766,795**	$62,588,459

Services for the UnderServed and Affiliated Organizations

Combining Statement of Activities
(with comparative totals for 2012)

Year ended June 30,	Services for the Underserved, Inc.	SUS - Mental Health Programs, Inc.	SUS - Developmental Disabilities Services, Inc.	SUS - AIDS Services, Inc.	SUS - Urgent Housing Programs, Inc.	SUS - Home Care Services, Inc.	Eliminations	Total 2013	Total 2012
Public Support and Revenue:									
Medicaid income	$ -	$ 4,260,186	$34,378,815	$ -	$ -	$ -	$ -	**$38,639,001**	$36,442,479
Contract revenue	-	23,714,526	-	5,738,287	4,021,836	-	-	**33,474,649**	26,180,389
Rental income	806,128	-	-	-	-	-	(806,128)	**-**	-
Participant fees	-	4,421,831	2,145,944	440,491	-	-	-	**7,008,266**	6,929,695
Contributions	220,665	250,000	-	-	-	-	-	**470,665**	386,606
Special events:									
Gross receipts	552,481	-	-	-	-	-	-	**552,481**	374,000
Less: Cost of special events	(428,253)	-	-	-	-	-	-	**(428,253)**	(418,243)
Management fees	4,851,468	-	-	-	-	-	(4,561,791)	**289,677**	127,065
Other	225,431	18,964	61,376	-	-	-	-	**305,771**	310,640
Total Public Support and Revenue	6,227,920	32,665,507	36,586,135	6,178,778	4,021,836	-	(5,367,919)	**80,312,257**	70,332,631
Expenses:									
Program services:									
Mental Health Programs, Inc.	-	29,686,685	-	-	-	-	(397,801)	**29,288,884**	25,895,223
Developmental Disabilities Services, Inc.	-	-	33,540,459	-	-	-	(408,327)	**33,132,132**	31,417,011
AIDS Services, Inc.	-	-	-	6,104,842	-	-	-	**6,104,842**	5,836,901
Urgent Housing Programs, Inc.	-	-	-	-	3,360,074	-	-	**3,360,074**	-
Total Program Services	-	29,686,685	33,540,459	6,104,842	3,360,074	-	(806,128)	**71,885,932**	63,149,135
Supporting services:									
Fundraising	254,418	-	-	-	-	-	-	**254,418**	220,000
Management and general	5,586,334	1,648,660	2,550,198	147,368	241,642	-	(4,561,791)	**5,612,411**	6,185,573
Total Supporting Services	5,840,752	1,648,660	2,550,198	147,368	241,642	-	(4,561,791)	**5,866,829**	6,405,573
Total Expenses	5,840,752	31,335,345	36,090,657	6,252,210	3,601,716	-	(5,367,919)	**77,752,761**	69,554,708
Excess (Deficit) of Public Support and Revenue Over Expenses From Continuing Operations Before Gain (Loss) From Discontinuing Operations	387,168	1,330,162	495,478	(73,432)	420,120	-	-	**2,559,496**	777,923
Gain (Loss) From Discontinuing Operations:									
Expenses - Home Attendant Program	-	-	-	-	-	-	-	**(135,663)**	(515,418)
Transfer from funding sources (Note 16)	-	-	-	-	-	-	-	**135,663**	515,418
	-	-	-	-	-	-	-	**-**	-
Change in Net Assets After Gain (Loss) From Discontinuing Operations	387,168	1,330,162	495,478	(73,432)	420,120	-	-	**2,559,496**	777,923
Other Changes:									
Assessment from default on workers' compensation trust	-	(103,984)	(86,142)	(5,902)	-	-	-	**(196,028)**	-
Asset impairment	-	(3,012,000)	-	-	-	-	-	**(3,012,000)**	-
Change in Net Assets	387,168	(1,785,822)	409,336	(79,334)	420,120	-	-	**(648,532)**	777,923
Net Assets (Deficit), Beginning of Year	3,713,962	9,261,228	4,643,859	636,406	-	(90,359)	-	**18,165,096**	17,387,173
Net Assets (Deficit), End of Year	**$4,101,130**	**$ 7,475,406**	**$ 5,053,195**	**$ 557,072**	**$ 420,120**	**$(90,359)**	**$ -**	**$17,516,564**	$18,165,096

APPENDIX B-VI

UNIQUE PEOPLE SERVICES, INC.

AUDITED FINANCIAL STATEMENTS

(FOR THE YEARS ENDED JUNE 30, 2015, JUNE 30, 2014 AND JUNE 30, 2013)

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UNIQUE PEOPLE SERVICES, INC.
AND AFFILIATES

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2015 and 2014

MARKS PANETH
ACCOUNTANTS & ADVISORS

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2015 AND 2014

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Unique People Services and Affiliates

We have audited the accompanying consolidated financial statements of Unique People Services, Inc. ("Unique"), Unique People Services – AIDS Programs, Inc. ("Unique – Aids" or Affiliate) and Lynn's Place Housing Development Fund Company ("HDFC"), (collectively, the "Agency") which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, 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 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 of 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 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 Unique People Services, Inc., Unique People Services – AIDS Program, Inc. and Lynn's Place Housing Development Fund Company as of June 30, 2015 and 2014, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information (shown on pages 15-16) as of and for the years ended June 30, 2015 and 2014 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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
December 1, 2015

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Notes 2C and 10)	$ 5,674,881	$ 4,343,772
Accounts receivable, net (Notes 2E and 3)	1,921,322	2,106,189
Interest reserve (Note 6)	-	74,234
Prepaid expenses and other assets	558,021	540,946
Property and equipment, net (Notes 2F and 4)	8,133,405	8,451,637
Deferred financing cost, net (Notes 5 and 6)	58,854	60,170
Debt service reserve funds (Note 5)	625,193	505,505
Consumer funds (Note 2J)	37,064	30,827
TOTAL ASSETS	$ 17,008,740	$ 16,113,280
LIABILITIES		
Accounts payable and accrued expenses	$ 1,187,057	$ 1,091,765
Due to governmental agencies (Note 7)	1,642,713	653,065
Notes and mortgages payable (Note 6)	8,331,724	8,739,013
Consumer funds (Note 2J)	37,064	30,827
TOTAL LIABILITIES	11,198,558	10,514,670
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2B)		
Unrestricted	5,714,932	5,595,860
Temporarily restricted (Note 11)	95,250	2,750
TOTAL NET ASSETS	5,810,182	5,598,610
TOTAL LIABILITIES AND NET ASSETS	$ 17,008,740	$ 16,113,280

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	For the Year Ended June 30, 2015			For the Year Ended June 30, 2014		
	Unrestricted	**Temporarily Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Total**
OPERATING REVENUES AND SUPPORT (Note 2G):						
Medicaid income (Note 2H)	$ 6,458,355	$ -	$ 6,458,355	$ 5,756,704	$ -	$ 5,756,704
Government grant income (Note 2G)	11,584,360	-	11,584,360	13,104,575	-	13,104,575
Participant fees	1,778,392	-	1,778,392	1,750,171	-	1,750,171
Contributions (Note 2D)	68,184	1,000	69,184	95,599	3,000	98,599
Special events, net of direct expenses $32,738 and $38,028, respectively (Note 2K)	8,612	92,000	100,612	61,443	-	61,443
Other revenues	253,415	-	253,415	160,832	-	160,832
Net assets released from restrictions	500	(500)	-	250	(250)	-
Total Operating Revenues and Support	20,151,818	92,500	20,244,318	20,929,574	2,750	20,932,324
OPERATING EXPENSES (Note 2I) :						
Program services:						
Intermediate care facilities	1,326,487	-	1,326,487	1,413,929	-	1,413,929
Home and community based services	4,816,303	-	4,816,303	4,207,049	-	4,207,049
Community residences	4,584,271	-	4,584,271	4,296,760	-	4,296,760
AIDS programs	7,340,539	-	7,340,539	8,771,074	-	8,771,074
Total program services	18,067,600	-	18,067,600	18,688,812	-	18,688,812
Management and administration	1,896,275	-	1,896,275	1,990,629	-	1,990,629
Fundraising	31,587	-	31,587	46,130	-	46,130
Total Operating Expenses	19,995,462	-	19,995,462	20,725,571	-	20,725,571
Change in Net Assets from operations	156,356	92,500	248,856	204,003	2,750	206,753
Prior year revenue (Note 2H)	(37,284)	-	(37,284)	(109,148)	-	(109,148)
CHANGE IN TOTAL NET ASSETS	119,072	92,500	211,572	94,855	2,750	97,605
Net Assets - Beginning of Year	5,595,860	2,750	5,598,610	5,501,005	-	5,501,005
NET ASSETS - END OF YEAR	$ 5,714,932	$ 95,250	$ 5,810,182	$ 5,595,860	$ 2,750	$ 5,598,610

The accompanying notes are an integral part of these consolidated financial statements

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(With Comparative Totals for June 30, 2014)

	For the Year Ended June 30, 2015									
	Program Services					Supporting Services				
	Intermediate Care Facilities	Home and Community Based Services	Community Residences	AIDS Program	Total Program Services	Management and Administration	Fund Raising	Total Supporting Services	Total 2015	Total 2014
Salaries	$ 669,183	$ 2,434,838	$ 1,452,454	$ 1,930,913	$ 6,487,388	$ 1,007,164	$ 11,000	$ 1,018,164	$ 7,505,552	$ 7,901,639
Payroll taxes and employee benefits (Note 9)	251,848	994,799	541,895	618,081	2,406,623	320,984	3,740	324,724	2,731,347	2,778,171
Total salaries and related costs	921,031	3,429,637	1,994,349	2,548,994	8,894,011	1,328,148	14,740	1,342,888	10,236,899	10,679,810
Food and recreation activities	23,271	111,749	24,427	43,370	202,817	3,511	21,587	25,098	227,915	260,523
Repairs and maintenance	29,330	66,514	339,676	40,026	475,546	42,989	-	42,989	518,535	308,598
Utilities	17,364	56,922	204,920	125,604	404,810	31,021	-	31,021	435,831	570,013
Transportation and travel	4,463	31,110	8,799	101,844	146,216	14,272	348	14,620	160,836	153,818
Facility tax assessments	71,732	-	-	-	71,732	-	-	-	71,732	118,561
Clothing	3,196	13,808	88	-	17,092	-	-	-	17,092	15,086
Program supplies	7,636	16,834	37,666	-	62,136	750	-	750	62,886	66,609
Staff training	3,064	26,696	14,428	8,211	52,399	10,265	687	10,952	63,351	55,930
Contracted services	64,517	35,881	3,467	-	103,865	-	-	-	103,865	158,050
Professional fees	5,752	55,476	18,968	61,891	142,087	89,921	13,230	103,151	245,238	364,650
Office supplies	2,041	21,739	16,343	46,610	86,733	14,755	2,193	16,948	103,681	142,358
Household and medical supplies	9,430	52,211	30,245	43,103	134,989	75,178	819	75,997	210,986	114,610
Telephone	7,453	29,609	35,366	71,659	144,087	21,033	215	21,248	165,335	165,607
Equipment leases (Note 8)	19,254	63,527	42,758	82,102	207,641	52,332	-	52,332	259,973	318,295
Rent (Note 8)	-	213,822	959,198	3,995,065	5,168,085	141,389	7,287	148,676	5,316,761	5,600,317
Expensed equipment	-	-	-	38,523	38,523	-	-	-	38,523	106,016
Property and general insurance	21,701	104,310	30,663	77,090	233,764	-	-	-	233,764	220,671
Interest expense (Note 6)	1,725	14,644	353,743	-	370,112	788	-	788	370,900	388,026
Client stipends	3,320	-	25,162	4,514	32,996	282	-	282	33,278	24,277
Bad debt expense	-	-	-	-	-	-	-	-	-	50,000
Depreciation and amortization (Note 4)	42,545	82,532	407,222	-	532,299	14,901	-	14,901	547,200	552,800
Other expenses	67,662	389,282	36,783	51,933	545,660	54,740	3,219	57,959	603,619	328,974
Subtotal	1,326,487	4,816,303	4,584,271	7,340,539	18,067,600	1,896,275	64,325	1,960,600	20,028,200	20,763,599
Less: direct special event expensses (Note 2K)	-	-	-	-	-	-	(32,738)	(32,738)	(32,738)	(38,028)
TOTAL EXPENSES	$ 1,326,487	$ 4,816,303	$ 4,584,271	$ 7,340,539	$ 18,067,600	$ 1,896,275	$ 31,587	$ 1,927,862	$ 19,995,462	$ 20,725,571

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	For the Year Ended June 30, 2014								
	Program Services					Supporting Services			
	Intermediate Care Facilities	Home and Community Based Services	Community Residences	AIDS Program	Total Program Services	Management and Administration	Fund Raising	Total Supporting Services	Total
Salaries	$ 728,353	$ 2,291,067	$ 1,536,209	$ 2,299,304	$ 6,854,933	$ 1,046,706	$ -	$ 1,046,706	$ 7,901,639
Payroll taxes and employee benefits (Note 9)	245,232	878,340	475,495	747,750	2,346,817	431,354	-	431,354	2,778,171
Total salaries and related costs	973,585	3,169,407	2,011,704	3,047,054	9,201,750	1,478,060	-	1,478,060	10,679,810
Food and recreation activities	23,224	94,862	23,990	78,332	220,408	2,488	37,627	40,115	260,523
Repairs and maintenance	22,390	69,999	98,835	87,206	278,430	26,570	3,598	30,168	308,598
Utilities	17,907	52,710	247,498	221,761	539,876	30,137	-	30,137	570,013
Transportation and travel	4,331	33,480	15,506	91,582	144,899	5,252	3,667	8,919	153,818
Facility tax assessments	118,561	-	-	-	118,561	-	-	-	118,561
Clothing	2,500	12,586	-	-	15,086	-	-	-	15,086
Program supplies	3,072	22,774	37,597	-	63,443	-	3,166	3,166	66,609
Staff training	2,680	24,169	13,411	6,709	46,969	8,961	-	8,961	55,930
Contracted services	117,925	40,125	-	-	158,050	-	-	-	158,050
Professional fees	3,317	39,303	24,307	217,976	284,903	62,047	17,700	79,747	364,650
Office supplies	1,719	14,451	9,220	88,801	114,191	21,600	6,567	28,167	142,358
Household and medical supplies	8,303	45,816	33,786	13,681	101,586	13,024	-	13,024	114,610
Telephone	7,900	31,788	26,161	77,362	143,211	22,396	-	22,396	165,607
Equipment leases (Note 8)	20,198	69,607	68,884	108,576	267,265	51,030	-	51,030	318,295
Rent (Note 8)	-	168,100	831,692	4,466,491	5,466,283	126,706	7,328	134,034	5,600,317
Expensed equipment	-	-	-	106,016	106,016	-	-	-	106,016
Property and general insurance	19,087	78,077	29,652	93,855	220,671	-	-	-	220,671
Interest expense (Note 6)	2,226	10,024	375,072	-	387,322	704	-	704	388,026
Client stipends	-	-	24,277	-	24,277	-	-	-	24,277
Bad debt expense	-	-	-	-	-	50,000	-	-	50,000
Depreciation and amortization (Note 4)	43,090	78,913	407,693	-	529,696	23,104	-	23,104	552,800
Other expenses	21,914	150,858	17,475	65,672	255,919	68,550	4,505	73,055	328,974
Subtotal	1,413,929	4,207,049	4,296,760	8,771,074	18,688,812	1,990,629	84,158	2,024,787	20,763,599
Less: direct special event expensses (Note 2K)	-	-	-	-	-	-	(38,028)	(38,028)	(38,028)
TOTAL EXPENSES	$ 1,413,929	$ 4,207,049	$ 4,296,760	$ 8,771,074	$ 18,688,812	$ 1,990,629	$ 46,130	$ 1,986,759	$ 20,725,571

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 211,572	$ 97,605
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	547,200	552,800
Bad debt	-	50,000
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	209,867	290,297
Prepaid expenses and other assets	(17,075)	(64,031)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	95,292	190,082
Due to governmental agencies	989,648	(547,147)
Net Cash Provided by Operating Activities	2,036,504	569,606
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(227,652)	(263,355)
Debt service reserve funds	(119,688)	(28,043)
Net Cash Used by Investing Activities	(347,340)	(291,398)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage payable	51,262	202,610
Repayment of notes and mortgages payable	(483,551)	(473,965)
Interest reserve	74,234	81,236
Net Cash Used by Financing Activities	(358,055)	(190,119)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,331,109	88,089
Cash and Cash Equivalents - Beginning of Year	4,343,772	4,255,683
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,674,881	$ 4,343,772
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 370,900	$ 388,026
Non-Cash Financing Activity:		
Deferred financing cost	$ 7,329	$ 10,700
Notes payable - receivable	$ 25,000	$ 25,000

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The accompanying consolidated financial statements include Unique People Services, Inc. ("Unique"), Unique People Services — AIDS Programs, Inc. ("Unique-AIDS" or "Affiliate") and Lynn's Place Housing Development Fund Company, Inc. ("HDFC") (collectively the "Agency"). Unique, Unique-AIDS and the HDFC are related through common Board membership and substantially identical management.

Unique is a New York not-for-profit corporation formed primarily for the purpose of alleviating human suffering and distress and for the betterment and improvement of mankind, especially those persons who are developmentally disabled. Unique operates four Individual Residential Alternative ("IRA") programs, and one Intermediate Care Facility which provides residential, rehabilitative and case management services to developmentally disabled individuals. Additionally, Unique provides community-based housing to adult individuals who suffer with serious and persistent mental illness through community residence/single residence occupancy and supported housing.

Unique-AIDS is a New York not-for-profit corporation formed primarily for the purpose of alleviating human suffering and distress and for the betterment and improvement of mankind, especially those persons who have HIV/AIDS. Unique-AIDS operates residential facilities, scatter site apartments and case management for families, children and single persons with AIDS. Unique-AIDS also operates a care coordination program funded through the New York City Department of Health and Mental Hygiene ("DOHMH") and a housing opportunity for persons with aids program funded through the New York City Human Resources Administration ("NYCHRA").

The HDFC was formed pursuant to the Private-Housing Finance Law and the Not-for-Profit Corporation Law, both of the State of New York, for the purpose of developing a housing project for persons with low income. Unique is the sole corporate member of the HDFC and the member designates the board of directors of the HDFC.

In April 2015, Lynn's Place General Partner Corporation ("Lynn's Place GP") was formed pursuant to the Business Corporation Law of the State of New York and serves as the general partner to Lynn's Place Development L.P. ("Lynn's Place L.P.") (see Note 6). The HDFC is the sole member of Lynn's Place G.P.

Unique, Unique – AIDS and the HDFC have been granted an exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Similar exemptions exist at the state and local levels. The Agency is supported primarily by government fees and contracts, Medicaid revenue and participant fees.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of* Accounting** – The Agency's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP'). All significant intercompany transactions have been eliminated during consolidation.

B. ***Net Assets*** – The Agency's resources are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

   Unrestricted – include expendable resources not subject to donor-imposed restrictions.

   Temporarily restricted – include resources subject to donor-imposed 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 accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

   Permanently restricted - include resources subject to donor-imposed stipulations, requiring that the principal be maintained in perpetuity.

C. ***Cash and Cash Equivalents*** – Cash equivalents include all highly liquid instruments purchased with a maturity of three months or less.

D. ***Contributions*** – The Agency records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either unrestricted, temporarily restricted or permanently restricted support depending on the existence of any donor restrictions.

   Material contributions of noncash assets are recorded at their fair value in the period received.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ***Allowance for Uncollectible Receivables*** – The Agency provides an allowance for doubtful accounts for receivables. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions, creditworthiness of its donors and historical experience. A significant portion of the accounts receivable consists of amounts due from New York State and New York City sources. As of June 30, 2015 and 2014, the Agency determined an allowance of approximately $320,000 was necessary.

F. ***Property and Equipment*** – Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. The Agency capitalizes property and equipment with a cost of $5,000 or more and a useful life greater than two years. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is less.

G. ***Revenue Sources and Recognition*** – 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 establishes refundable advances from governmental sources. Any revenue for contracts that has not yet been earned is reclassified as deferred revenue on the statement of financial position. Revenue from fees for service programs is recognized when earned (services are provided daily and/or monthly).

The Agency receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies; primarily New York State Office for People with Developmental Disabilities ("OPWDD"), New York State Office of Mental Health ("OMH"), HIV/AIDS Services Administration ("HASA"), DOHMH and NYCHRA. 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 Agency also receives Supplemental Security Income ("SSI") and Social Security Income ("SSA") payments for the participants. A portion of the SSI/SSA payments represents the participants' contributions toward the cost of goods and services and is recognized as revenue when received. The remaining portion of SSI/SSA represent the participants' personal allowance and is recognized as a liability due to clients.

H. ***Prior Year Revenue*** – Retroactive adjustments of reimbursement rates are recorded in revenue. Included in the change in net assets for the years ended June 30, 2015 and 2014 is approximately $37,000 and $109,000 of prior year decreases relating to such adjustments which is included in prior year revenue in the consolidated statements of activities.

I. ***Functional Allocation of Expenses*** – The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Because the Agency is a multi-program/multi-funded organization, certain costs have been allocated between functional and supporting programs as determined by management. Such allocations conform to those made in seeking funds from third-party sources.

J. ***Consumer Funds –*** Consumer funds consist of funds held on behalf of clients. Such funds represent living allowances received by clients from the State of New York, as well as other funds deposited for safekeeping. These funds are disbursed at the request of, or on behalf of, clients for their personal use.

K. ***Special Events Direct Costs –*** The direct cost of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.

L. ***Basis of Accounting and Use of Estimates –*** The preparation of the 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 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.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2015 and 2014:

	2015	2014
New York State Office for People With Developmental Disabilities	$ 761,332	$ 369,163
HIV/AIDS Services Administration	529,674	1,030,228
HIV/AIDS Services Administration – client fees	387,515	485,924
Housing Opportunities for Persons With AIDS	74,981	130,106
Housing Opportunities for Persons With AIDS – client fees	3,176	1,452
Deutsche bank	75,000	75,000
Public Heath Solutions	155,161	189,446
New York City Office of Mental Health	142,080	74,706
Home Health	70,061	69,684
Others	42,072	210
Accounts receivable, before allowance	2,241,052	2,425,919
Less: allowance for doubtful accounts	(319,730)	(319,730)
Accounts receivable, net	$ 1,921,322	$ 2,106,189

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2015 and 2014:

	2015	2014	Useful Lives
Land	$ 1,538,602	$ 1,538,602	
Buildings and building improvements	11,843,612	11,865,834	25 years
Leasehold improvements	605,377	641,444	25 years
Furniture and equipment	112,259	100,929	5-10 years
Vehicles	237,060	262,560	5-10 years
Work in progress (see Note 6)	546,139	312,659	
	14,883,049	14,722,028	
Less: accumulated depreciation and amortization	(6,749,644)	(6,270,391)	
Net book value	$ 8,133,405	$ 8,451,637	

For the years ended June 30, 2015 and 2014, depreciation and amortization expense amounted to $538,555 and $538,114, respectively. During the year ended June 30, 2015, the Agency wrote off fully depreciated fixed assets amounting to $59,302.

NOTE 5 – DEBT SERVICE RESERVE FUNDS AND DEFERRED FINANCING COST

Debt reserve funds consist of the following:

	2015	2014
Capital reserve accounts – OMH	$ 485,830	$ 366,142
Debt service reserve fund - OPWDD	139,363	139,363
	$ 625,193	$ 505,505

Debt service reserve funds represent funds held by OPWDD and OMH. These funds will be applied to the last payment required on the mortgages with the Facilities Development Corporation (“FDC”) and Dormitory Authority of the State of New York (“DASNY”). The increase during the year ended June 30, 2015 represents investment earnings. This reserve will earn interest to be used to offset the Agency’s final payment obligation under the mortgage (as further described in Note 6) for the Agency’s residential facilities.

NOTE 5 – DEBT SERVICE RESERVE FUNDS AND DEFERRED FINANCING COST (Continued)

Deferred financing costs represent unamortized bond fees related to the mortgages payable, as further described in Note 6. Deferred financing costs are amortized using the straight-line method (which does not differ materially from the interest method) over the term of the bonds.

For the years ended June 30, 2015 and 2014, deferred financing costs amortization amounted to $8,645 and $14,636, respectively, and is included in depreciation and amortization expense in the accompanying consolidated financial statements. Amortization expense relating to the deferred financing costs for each of the years ended 2014 through 2017 is estimated to approximate the current year expense.

NOTE 6 – NOTES AND MORTGAGES PAYABLE

The notes and mortgages payable consist of the following as of June 30, 2015 and 2014:

	2015	2014	Annual Interest Rate	Due Date
Note payable to a bank in monthly principal installments of $1,686, plus interest, secured by the mortgage for real estate located on 58th Avenue in East Elmhurst, New York.	$ 43,856	$ 60,490	7.90%	2017
Note payable to a bank in monthly principal installments of $635, plus interest. The note is secured by the assets of the Agency.	-	2,964	8.39%	2014
Mortgage payable Facilities Development Corporation of New York State ("FDC") with semi-annual payments of $35,334, including interest, secured by real estate located on Vyse Avenue, in the Bronx, New York.	121,260	189,686	6.31%	2018
Mortgage payable to DASNY-OMH in semiannual payments of $159,562, including interest, secured by real estate located on Southern Boulevard, Bronx, New York	1,838,307	2,049,341	5.41%	2022
Corporation for Supportive Housing mortgage.	1,337,514	1,286,252	7.00%	(*)
Note payable to a foundation.	75,000	50,000	-	(**)
Note payable to a limited liability partnership maturing on December 30, 2014 evidenced by loan and security agreement and the third party guarantee executed on July 12, 2013 with a maturity date of June 30, 2014 further extended to December 31, 2015 by an amendment. The Agency can borrow up to $270,000 under the loan agreement.	120,477	120,477	6.00%	2015
Mortgage payable to DASNY-OMH in semiannual payments of $214,290, including interest, secured by real estate located on Fairmont Place, Bronx, New York.	4,795,310	4,979,803	4.95%	2031
	$ 8,331,724	$ 8,739,013		

(*) During the year ended June 30, 2013, the HDFC obtained a mortgage from the Corporation of Supportive Housing ("CSH") to finance the acquisition of a property. The mortgage is secured by the property and bears interest at 7% annually. The property is for a new affordable housing project ("Project") consisting of 69 units primarily to house mixed-income populations.

NOTE 6 – NOTES AND MORTGAGES PAYABLE (Continued)

Unique is the sole member of the HDFC which entered into a development agreement with Lynn's Place Development L.P. ("Lynn's Place L.P."), comprising a limited liability company ("investor") with a 99.99% interest, to develop the housing project located in the Bronx, New York. The agreement will be financed by Low Income Housing Tax Credits ("LIHTC") and other grants. Lynn's Place L.P. has one general partner, Lynn's Place General Partner Corporation ("Lynn's Place G.P."). Lynn's Place G.P.'s capital stock is owned by the HDFC. Lynn's Place G.P. has a .01% interest in Lynn's Place L.P. Lynn's Place G.P.'s capital contribution obligation was $600,100. As of June 30, 2015 and 2014, Lynn's Place G.P.'s investment in Lynn's Place L.P. is deemed immaterial to the consolidated financial statements.

Unique entered into a guaranty agreement (the "Agreement") with the Limited Partner and the General Partner discussed above. The Agreement requires Unique to advance funds to the General Partner to the extent needed by the General Partner to: (i) make operating deficit contributions, (ii) make credit adjuster advances and additional advances and (iii) purchase the interest of the Limited Partner according to the Partnership Agreement. No advances were provided to the General Partner under the Agreement for the years ended June 30, 2015 and 2014.

Unique is the guarantor for the CSH loan. The total amount approved for the acquisition and predevelopment cost was $1,350,000 of which approximately $1,028,000 was disbursed by CSH at the property closing. The Agency incurred loan origination fees and legal fees expenses totaling $20,250 and $5,000, respectively, which have been capitalized. In addition, $175,889 was retained by CSH to make monthly interest payments on the loan which is included as interest reserve in the consolidated statements of financial position. During the year ended June 30, 2015 and 2014, $74,234 and $81,236, respectively, of the interest reserve was amortized and the balance outstanding as of June 30, 2015 and 2014 amounted to $0, and $74,234, respectively. Subsequent disbursements or the balance of the loan will be based on eligible expenses incurred by the Agency. During the year ended June 30, 2015 and 2014, $51,261 and $56,798, respectively, was disbursed from the loan to pay for expenses incurred by the Agency. On November 25, 2015, the Agency obtained construction financing.

(**) During the year ended June 30, 2013, the HDFC received a $225,000 commitment from a foundation through its Supportive Housing Acquisition and Rehabilitation Effort ("SHARE") program to provide supportive housing for mentally ill adults. The commitment of $225,000 consists of both a grant mounting to $150,000 and a $75,000 interest-free loan. The loan is not collateralized and is to be repaid in three annual installments of $25,000 commencing on May 31, 2016.

The Agency is provided additional amounts in their billing rates from governmental sources, the intent of which is to provide the Agency with sufficient funds necessary to pay the debt service for the mortgages due to FDC. The periodic payments for these mortgages are made by OPWDD. OPWDD then recovers these payments via a deduction from the Agency's Medicaid receipts. Note 7 provides additional information on the balance due to OPWDD for these payments.

Future annual principal payments are as follows for the years ended subsequent to June 30, 2015:

2016	$ 2,037,992
2017	508,737
2018	467,243
2019	485,607
2020	511,173
Thereafter	4,320,972
	$ 8,331,724

Interest expense for notes and mortgages amounted to $370,900 and $388,026, respectively, for the years ended June 30, 2015 and 2014.

NOTE 7 – DUE TO GOVERNMENTAL AGENCIES

As of June 30, 2015 and 2014, the amounts due to governmental agencies consist of the following:

	2015	2014
Public Heath Solutions	$ 98,728	$ 104,499
New York State Office of Mental Health	1,543,985	547,931
	$ 1,642,713	$ 652,430

Due to governmental agencies includes advances from funding sources for which the Agency has yet to provide services.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. ***Funding Source Audits***

Pursuant to the Agency's contractual relationships with certain funding sources, outside governmental agencies have the right to examine the books and records of the Agency involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of the Agency, any actual disallowances would be immaterial. In addition, certain agreements provide that some property and equipment either owned by, or on loan to, the Agency will continue to be utilized by the Agency.

B. ***Lease Commitments***

The Agency is obligated under various operating leases for real property and equipment. The Agency has the option to renew certain leases upon expiration. Aggregate minimum rentals for the fiscal years ending after June 30, 2015 are as follows:

	Real Property	Equipment	Total
2016	$ 3,179,000	$ 142,000	$ 3,321,000
2017	1,167,000	129,000	1,296,000
2018	174,000	13,000	187,000
2019	76,000	-	76,000
2020	17,000	-	17,000
	$ 4,613,000	$ 284,000	$ 4,897,000

Rent expense for real property and equipment amounted to $5,316,761 and $259,973, respectively, and $5,600,317 and $318,295, respectively, for the years ended June 30, 2015 and 2014.

C. ***Litigations***

In the normal course of its operations, the Agency is a defendant or co-defendant in various legal proceedings. While the ultimate outcome of such proceedings cannot be determined, management generally does not expect the resolution of such actions to have a materially adverse effect on the Agency's financial position.

D. ***Income Taxes***

The Agency believes it has no uncertain tax positions as of June 30, 2015 and 2014 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. The Agency believes it is no longer subject to federal or state and local income tax examinations by tax authorities for the year ended June 30, 2012 and prior years.

NOTE 9 – PENSION PLAN

The Agency maintains a 401(k) pension plan (the "Plan") which covers all employees meeting eligibility requirements. Employees defer a portion of their salaries to the Plan. In addition, for the years ended June 30, 2015 and 2014 the Agency contributed 3% and 1%, respectively, of each employee's compensation to the Plan. Pension expense for the years ended June 30, 2015 and 2014 was $207,066 and $68,514, respectively.

NOTE 10 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to a concentration of credit risk included cash accounts with banks that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits ($250,000) by approximately $5,803,000 and $4,162,000 as of June 30, 2015 and 2014, respectively. This excess includes outstanding checks.

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2015 and 2014, temporarily restricted net assets are available for:

	2015	2014
Generator for HDFC	$ 92,000	$ -
Employee recognition awards	3,250	2,750
	$ 95,250	$ 2,750

Net assets were released from donor restrictions during the years ended June 30, 2015 and 2014 by incurring expenses satisfying the restricted purpose or occurrence specified by the donors.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure events subsequent to the date of the consolidated statement of financial position through December 1, 2015, the date the consolidated financial statements were available to be issued.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014

	As of June 30, 2015				
	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and cash equivalents	$ 4,705,549	$ 900,778	$ 68,554	$ -	$ 5,674,881
Accounts receivable, net	967,453	878,869	75,000	-	1,921,322
Interest reserve	-	-	-	-	-
Due from affiliate	45,154	46,094	-	(91,248)	-
Prepaid expenses and other assets	181,057	376,964	-	-	558,021
Property and equipment, net	6,598,738	8,097	1,526,570	-	8,133,405
Deferred financing costs	30,618	-	28,236	-	58,854
Debt service reserve funds	625,193	-	-	-	625,193
Consumer funds	37,064	-	-	-	37,064
TOTAL ASSETS	$ 13,190,826	$ 2,210,802	$ 1,698,360	$ (91,248)	$ 17,008,740
LIABILITIES					
Accounts payable and accrued expenses	$ 822,754	$ 350,224	$ 14,079	$ -	$ 1,187,057
Due to governmental agencies	1,543,985	98,728	-	-	1,642,713
Due to affiliate	46,094	-	45,154	(91,248)	-
Notes and mortgages payable	6,798,733	-	1,532,991	-	8,331,724
Consumer funds	37,064	-	-	-	37,064
TOTAL LIABILITIES	9,248,630	448,952	1,592,224	(91,248)	11,198,558
NET ASSETS					
Unrestricted	3,846,946	1,761,850	106,136	-	5,714,932
Temporarily restricted	95,250	-	-	-	95,250
TOTAL NET ASSETS	3,942,196	1,761,850	106,136	-	5,810,182
TOTAL LIABILITIES AND NET ASSETS	$ 13,190,826	$ 2,210,802	$ 1,698,360	$ (91,248)	$ 17,008,740

	As of June 30, 2014				
	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and cash equivalents	$ 4,031,610	$ 234,389	77,773	$ -	$ 4,343,772
Accounts receivable, net	462,311	1,568,878	75,000	-	2,106,189
Interest reserve	-	-	74,234	-	74,234
Due from affiliate	-	27,063	-	(27,063)	-
Prepaid expenses and other assets	166,357	374,589	-	-	540,946
Property and equipment, net	7,109,413	49,134	1,293,090	-	8,451,637
Deferred financing costs	35,482	-	24,688	-	60,170
Debt service reserve funds	505,505	-	-	-	505,505
Consumer funds	30,827	-	-	-	30,827
TOTAL ASSETS	$ 12,341,505	$ 2,254,053	$ 1,544,785	$ (27,063)	$ 16,113,280
LIABILITIES					
Accounts payable and accrued expenses	$ 644,874	$ 440,141	6,750	$ -	$ 1,091,765
Due to governmental agencies	548,566	104,499	-	-	653,065
Due to affiliate	27,063	-	-	(27,063)	-
Notes and mortgages payable	7,282,284	-	1,456,729	-	8,739,013
Consumer funds	30,827	-	-	-	30,827
TOTAL LIABILITIES	8,533,614	544,640	1,463,479	(27,063)	10,514,670
NET ASSETS					
Unrestricted	3,805,141	1,709,413	81,306	-	5,595,860
Temporarily restricted	2,750	-	-	-	2,750
TOTAL NET ASSETS	3,807,891	1,709,413	81,306	-	5,598,610
TOTAL LIABILITIES AND NET ASSETS	$ 12,341,505	$ 2,254,053	$ 1,544,785	$ (27,063)	$ 16,113,280

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	Year Ended June 30, 2015					Year Ended June 30, 2014				
	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	Consolidating Eliminations	Consolidated Total	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	Consolidating Eliminations	Consolidated Total
CHANGES IN UNRESTRICTED NET ASSETS:										
OPERATING REVENUES AND SUPPORT:										
Medicaid income	$ 6,458,355	$ -	$ -	$ -	$ 6,458,355	$ 5,756,704	$ -	$ -	$ -	$ 5,756,704
Government grant income	4,041,060	7,543,300	-	-	11,584,360	3,858,567	9,246,008	-	-	13,104,575
Participant fees	1,351,999	426,393	-	-	1,778,392	1,314,402	435,769	-	-	1,750,171
Contributions	18,184	-	50,000	-	68,184	40,599	5,000	50,000	-	95,599
Special events, net of direct expenses $32,738 and $38,028, respectively	8,612	-	-	-	8,612	61,443	-	-	-	61,443
Other revenue	253,415	-	-	-	253,415	160,812	20	-	-	160,832
Net assets release from restrictions	500	-	-	-	500	250	-	-	-	250
Total Operating Revenues and Support	12,132,125	7,969,693	50,000	-	20,151,818	11,192,777	9,686,797	50,000	-	20,929,574
OPERATING EXPENSES:										
Program services:										
Intermediate care facilities	1,326,487	-	-	-	1,326,487	1,413,929	-	-	-	1,413,929
Home and community based services	4,816,303	-	-	-	4,816,303	4,207,049	-	-	-	4,207,049
Community residences	4,584,271	-	-	-	4,584,271	4,296,760	-	-	-	4,296,760
AIDS programs	-	7,340,539	-	-	7,340,539	-	8,771,074	-	-	8,771,074
Management and administration	1,303,372	567,733	25,170	-	1,896,275	1,279,655	695,141	15,833	-	1,990,629
Fundraising	31,587	-	-	-	31,587	46,130	-	-	-	46,130
Total Operating Expenses	12,062,020	7,908,272	25,170	-	19,995,462	11,243,523	9,466,215	15,833	-	20,725,571
Change in Unrestricted Net Assets	70,105	61,421	24,830	-	156,356	(50,746)	220,582	34,167	-	204,003
Prior year revenue	(28,300)	(8,984)	-	-	(37,284)	(94,578)	(14,570)	-	-	(109,148)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:										
Contributions	1,000	-	-	-	1,000	3,000	-	-	-	3,000
Special events	92,000	-	-	-	92,000	-	-	-	-	-
Net assets released from restrictions	(500)	-	-	-	(500)	(250)	-	-	-	(250)
Change in Temporarily Restricted Net Assets	92,500	-	-	-	92,500	2,750	-	-	-	2,750
CHANGE IN TOTAL NET ASSETS	134,305	52,437	24,830	-	211,572	(142,574)	206,012	34,167	-	97,605
Net assets - Beginning of Year	3,807,891	1,709,413	81,306	-	5,598,610	3,950,465	1,503,401	47,139	-	5,501,005
NET ASSETS - END OF YEAR	$ 3,942,196	$ 1,761,850	$ 106,136	$ -	$ 5,810,182	$ 3,807,891	$ 1,709,413	$ 81,306	$ -	$ 5,598,610

See independent auditors' report.

UNIQUE PEOPLE SERVICES, INC.
AND AFFILIATES

Consolidated Financial Statements

Years Ended June 30, 2014 and 2013
(Together with Independent Auditors' Report)

MARKS PANETH

ACCOUNTANTS & ADVISORS

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2014 AND 2013

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Unique People Services and Affiliates

We have audited the accompanying consolidated financial statements of Unique People Services, Inc. ("Unique"), Unique People Services – AIDS Programs, Inc. ("Unique – Aids" or Affiliate) and Lynn's Place Housing Development Fund Company ("HDFC"), (collectively, the "Agency") which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, 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 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 of 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 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 Unique People Services, Inc., Unique People Services – AIDS Program, Inc. and Lynn's Place Housing Development Fund Company as of June 30, 2014 and 2013, 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.

Other Matter

Our audits were conducted for the purposes of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information (shown on pages 15-16) as of and for the years ended June 30, 2014 and 2013 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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
December 1, 2014

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents (Notes 2C and 10)	$ 4,343,772	$ 4,255,683
Accounts receivable, net (Notes 2E and 3)	2,106,189	2,446,486
Interest reserve (Note 6)	74,234	155,470
Prepaid expenses and other assets	540,946	476,915
Property and equipment, net (Notes 2F and 4)	8,451,637	8,737,146
Deferred financing cost, net (Notes 5 and 6)	60,170	64,106
Debt service reserve funds (Note 5)	505,505	477,462
Consumer funds (Note 2J)	30,827	18,078
TOTAL ASSETS	$ 16,113,280	$ 16,631,346
LIABILITIES		
Accounts payable and accrued expenses	$ 1,091,765	$ 901,683
Due to governmental agencies (Note 7)	653,065	1,200,212
Notes and mortgages payable (Note 6)	8,739,013	9,010,368
Consumer funds (Note 2J)	30,827	18,078
TOTAL LIABILITIES	10,514,670	11,130,341
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2B)		
Unrestricted	5,595,860	5,501,005
Temporarily restricted (Note 11)	2,750	-
TOTAL NET ASSETS	5,598,610	5,501,005
TOTAL LIABILITIES AND NET ASSETS	$ 16,113,280	$ 16,631,346

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	For the Year Ended June 30, 2014			For the Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total 2014	Unrestricted	Temporarily Restricted	Total 2013
OPERATING REVENUES AND SUPPORT (Note 2G):						
Medicaid income (Note 2H)	$ 5,756,704	$ -	$ 5,756,704	$ 5,746,506	$ -	$ 5,746,506
Government grant income (Note 2G)	13,104,575	-	13,104,575	12,335,230	-	12,335,230
Participant fees	1,750,171	-	1,750,171	1,743,707	-	1,743,707
Contributions (Note 2D)	95,599	3,000	98,599	95,678	-	95,678
Special events, net of direct expenses $38,028 and $12,150, respectively (Note 2K)	61,443	-	61,443	17,459	-	17,459
Other revenues	160,832	-	160,832	133,203	-	133,203
Net assets released from restrictions	250	(250)	-	-	-	-
Total Operating Revenues and Support	20,929,574	2,750	20,932,324	20,071,783	-	20,071,783
OPERATING EXPENSES (Note 2I) **:**						
Program services:						
Intermediate care facilities	1,413,929	-	1,413,929	1,273,719	-	1,273,719
Home and community based services	4,207,049	-	4,207,049	4,236,306	-	4,236,306
Community residences	4,296,760	-	4,296,760	4,064,869	-	4,064,869
AIDS programs	8,771,074	-	8,771,074	8,541,661	-	8,541,661
Total program services	18,688,812	-	18,688,812	18,116,555	-	18,116,555
Management and administration	1,990,629	-	1,990,629	1,801,634	-	1,801,634
Fundraising	46,130	-	46,130	8,329	-	8,329
Total Operating Expenses	20,725,571	-	20,725,571	19,926,518	-	19,926,518
Change in Net Assets from operations	204,003	2,750	206,753	145,265	-	145,265
Prior year revenue (Note 2H)	(109,148)	-	(109,148)	(399,617)	-	(399,617)
CHANGE IN TOTAL NET ASSETS	94,855	2,750	97,605	(254,352)	-	(254,352)
Net Assets - Beginning of Year	5,501,005	-	5,501,005	5,755,357	-	5,755,357
NET ASSETS - END OF YEAR	$ 5,595,860	$ 2,750	$ 5,598,610	$ 5,501,005	$ -	$ 5,501,005

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

	For the Year Ended June 30, 2014									
	Program Services					Supporting Services				
	Intermediate Care Facilities	Home and Community Based Services	Community Residences	AIDS Program	Total Program Services	Management and Administration	Fund Raising	Total Supporting Services	Total 2014	Total 2013
Salaries	$ 728,353	$ 2,291,067	$ 1,536,209	$ 2,299,304	$ 6,854,933	$ 1,046,706	$ -	$ 1,046,706	$ 7,901,639	$ 7,763,061
Payroll taxes and employee benefits (Note 9)	245,232	878,340	475,495	747,750	2,346,817	431,354	-	431,354	2,778,171	2,670,127
Total salaries and related costs	973,585	3,169,407	2,011,704	3,047,054	9,201,750	1,478,060	-	1,478,060	10,679,810	10,433,188
Food and recreation activities	23,224	94,862	23,990	78,332	220,408	2,488	37,627	40,115	260,523	280,458
Recreational activities					-	-		-	-	-
Repairs and maintenance	22,390	69,999	98,835	87,206	278,430	26,570	3,598	30,168	308,598	387,100
Utilities	17,907	52,710	247,498	221,761	539,876	30,137	-	30,137	570,013	564,246
Transportation and travel	4,331	33,480	15,506	91,582	144,899	5,252	3,667	8,919	153,818	185,408
Facility tax assessments	118,561	-	-	-	118,561	-	-	-	118,561	98,114
Clothing	2,500	12,586	-	-	15,086	-	-	-	15,086	15,850
Program supplies	3,072	22,774	37,597	-	63,443	-	3,166	3,166	66,609	37,312
Staff training	2,680	24,169	13,411	6,709	46,969	8,961	-	8,961	55,930	51,939
Contracted services	117,925	40,125	-	-	158,050	-	-	-	158,050	121,831
Professional fees	3,317	39,303	24,307	217,976	284,903	62,047	17,700	79,747	364,650	409,862
Office supplies	1,719	14,451	9,220	88,801	114,191	21,600	6,567	28,167	142,358	103,134
Household and medical supplies	8,303	45,816	33,786	13,681	101,586	13,024	-	13,024	114,610	125,868
Telephone	7,900	31,788	26,161	77,362	143,211	22,396	-	22,396	165,607	190,806
Equipment leases (Note 8)	20,198	69,607	68,884	108,576	267,265	51,030	-	51,030	318,295	190,938
Rent (Note 8)	-	168,100	831,692	4,466,491	5,466,283	126,706	7,328	134,034	5,600,317	5,202,434
Expensed equipment	-	-	-	106,016	106,016	-	-	-	106,016	54,601
Property and general insurance	19,087	78,077	29,652	93,855	220,671	-	-	-	220,671	193,767
Interest expense (Note 6)	2,226	10,024	375,072	-	387,322	704	-	704	388,026	415,329
Client stipends	-	-	24,277	-	24,277	-	-	-	24,277	32,540
Bad debt expense	-	-	-	-	-	50,000	-	-	50,000	-
Depreciation and amortization (Note 4)	43,090	78,913	407,693	-	529,696	23,104	-	23,104	552,800	550,933
Other expenses	21,914	150,858	17,475	65,672	255,919	68,550	4,505	73,055	328,974	293,010
Subtotal	1,413,929	4,207,049	4,296,760	8,771,074	18,688,812	1,990,629	84,158	2,024,787	20,763,599	19,938,668
Less: direct special event expensses (Note 2K)	-	-	-	-	-	-	(38,028)	(38,028)	(38,028)	(12,150)
TOTAL EXPENSES	$ 1,413,929	$ 4,207,049	$ 4,296,760	$ 8,771,074	$ 18,688,812	$ 1,990,629	$ 46,130	$ 1,986,759	$ 20,725,571	$ 19,926,518

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services					Supporting Services			
	Intermediate Care Facilities	Home and Community Based Services	Community Residences	AIDS Program	Total Program Services	Management and Administration	Fund Raising	Total Supporting Services	Total 2013
Salaries	$ 697,326	$ 2,328,523	$ 1,439,715	$ 2,183,935	$ 6,649,499	$ 1,113,562	$ -	$ 1,113,562	$ 7,763,061
Payroll taxes and employee benefits (Note 9)	273,497	896,778	465,958	798,004	2,434,237	235,890	-	235,890	2,670,127
Total salaries and related costs	970,823	3,225,301	1,905,673	2,981,939	9,083,736	1,349,452	-	1,349,452	10,433,188
Food and recreational activities	36,489	119,668	28,779	66,978	251,914	16,319	12,225	28,544	280,458
Repairs and maintenance	21,228	65,829	154,889	113,797	355,743	31,357	-	31,357	387,100
Utilities	16,159	54,116	239,740	228,286	538,301	25,945	-	25,945	564,246
Transportation and travel	5,406	35,331	28,433	105,665	174,835	10,573	-	10,573	185,408
Facility tax assessments	98,114	-	-	-	98,114	-	-	-	98,114
Clothing	2,500	13,350	-	-	15,850	-	-	-	15,850
Program supplies	-	5,439	31,594	-	37,033	279	-	279	37,312
Staff training	2,105	20,982	8,079	6,291	37,457	14,482	-	14,482	51,939
Contracted services	79,883	41,948	-	-	121,831	-	-	-	121,831
Professional fees	5,280	50,300	45,750	264,868	366,198	40,264	3,400	43,664	409,862
Office supplies	4,350	14,350	11,487	51,982	82,169	20,965	-	20,965	103,134
Household and medical supplies	9,057	34,618	44,169	29,206	117,050	8,818	-	8,818	125,868
Telephone	5,777	29,941	28,286	97,438	161,442	29,364	-	29,364	190,806
Equipment leases (Note 8)	13,432	36,442	22,521	84,776	157,171	33,767	-	33,767	190,938
Rent (Note 8)	-	161,177	658,078	4,262,515	5,081,770	120,664	-	120,664	5,202,434
Expensed equipment	-	-	-	54,601	54,601	-	-	-	54,601
Property and general insurance	1,244	32,846	17,416	142,261	193,767	-	-	-	193,767
Interest expense (Note 6)	2,898	19,343	393,088	-	415,329	-	-	-	415,329
Client stipends	62	1,488	30,990	-	32,540	-	-	-	32,540
Depreciation and amortization (Note 4)	46,801	68,647	403,646	6,805	525,899	25,034	-	25,034	550,933
Other expenses	26,907	130,394	12,251	44,253	213,805	74,351	4,854	79,205	293,010
Subtotal	1,348,515	4,161,510	4,064,869	8,541,661	18,116,555	1,801,634	20,479	1,822,113	19,938,668
Less: direct special event expensses (Note 2K)	-	-	-	-	-	-	(12,150)	(12,150)	(12,150)
TOTAL EXPENSES	$ 1,348,515	$ 4,161,510	$ 4,064,869	$ 8,541,661	$ 18,116,555	$ 1,801,634	$ 8,329	$ 1,809,963	$ 19,926,518

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 97,605	$ (254,352)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	552,800	550,933
Bad debt	50,000	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	290,297	689,598
Prepaid expenses and other assets	(64,031)	(56,034)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	190,082	(79,520)
Due to governmental agencies	(547,147)	1,119,845
Net Cash Provided by Operating Activities	569,606	1,970,470
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(263,355)	(1,074,233)
Debt service reserve funds	(28,043)	(17,801)
Net Cash Used by Investing Activities	(291,398)	(1,092,034)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage payable	202,610	1,254,119
Repayment of notes and mortgages payable	(473,965)	(459,763)
Interest reserve	81,236	(155,470)
Net Cash (Used) Provided by Financing Activities	(190,119)	638,886
NET INCREASE IN CASH AND CASH EQUIVALENTS	88,089	1,517,322
Cash and Cash Equivalents - Beginning of Year	4,255,683	2,738,361
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,343,772	$ 4,255,683
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 388,026	$ 415,329
Non-Cash Financing Activity:		
Deferred financing cost and interest reserve	$ 10,700	$ 196,319
Notes payable - receivable	$ 25,000	$ -

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The accompanying consolidated financial statements include Unique People Services, Inc. ("Unique"), Unique People Services — AIDS Programs, Inc. ("Unique-AIDS" or "Affiliate") and Lynn's Place Housing Development Fund Company, Inc. ("HDFC") (collectively the "Agency"). Unique, Unique-AIDS and the HDFC are related through common Board membership and substantially identical management.

Unique is a New York not-for-profit corporation formed primarily for the purpose of alleviating human suffering and distress and for the betterment and improvement of mankind, especially those persons who are developmentally disabled. Unique operates four Individual Residential Alternative ("IRA") programs, and one Intermediate Care Facility which provides residential, rehabilitative and case management services to developmentally disabled individuals. Additionally, Unique provides community-based housing to adult individuals who suffer with serious and persistent mental illness through community residence/single residence occupancy and supported housing.

Unique-AIDS is a New York not-for-profit corporation formed primarily for the purpose of alleviating human suffering and distress and for the betterment and improvement of mankind, especially those persons who have HIV/AIDS. Unique-AIDS operates residential facilities, scatter site apartments and case management for families, children and single persons with AIDS. Unique-AIDS also operates a care coordination program funded through the New York City Department of Health and Mental Hygiene ("DOHMH") and a housing opportunity for persons with aids program funded through the New York City Human Resources Administration ("NYCHRA").

The HDFC was formed pursuant to the Private-Housing Finance Law and the Not-for-Profit Corporation Law, both of the State of New York, for the purpose of developing a housing project for persons with low income. Unique is the sole corporate member of the HDFC and the member designates the board of directors of the HDFC.

Unique and Unique – AIDS have been granted an exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Similar exemptions exist at the state and local levels. The HDFC is in the process of securing Federal and State income tax exemption. The Agency is supported primarily by government fees and contracts, Medicaid revenue and participant fees.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of* Accounting** – The Agency's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP'). All significant intercompany transactions have been eliminated during consolidation.

B. ***Net Assets*** – The Agency's resources are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

   Unrestricted – include expendable resources not subject to donor-imposed restrictions.

   Temporarily restricted – include resources subject to donor-imposed 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 accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

   Permanently restricted - include resources subject to donor-imposed stipulations, requiring that the principal be maintained in perpetuity.

C. ***Cash and Cash Equivalents*** – Cash equivalents include all highly liquid instruments purchased with a maturity of three months or less.

D. ***Contributions*** – The Agency records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either unrestricted, temporarily restricted or permanently restricted support depending on the existence of any donor restrictions.

   Material contributions of noncash assets are recorded at their fair value in the period received.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ***Allowance for Uncollectible Receivables*** – The Agency provides an allowance for doubtful accounts for receivables. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions, creditworthiness of its donors and historical experience. A significant portion of the accounts receivable consists of amounts due from New York State and New York City sources. As of June 30, 2014 and 2013, the Agency determined an allowance of approximately $320,000 and $270,000, respectively, was necessary.

F. ***Property and Equipment*** – Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. The Agency capitalizes property and equipment with a cost of $5,000 or more and a useful life greater than two years. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is less.

G. ***Revenue Sources and Recognition*** – 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 establishes refundable advances from governmental sources. Any revenue for contracts that has not yet been earned is reclassified as deferred revenue on the statement of financial position. Revenue from fees for service programs is recognized when earned (services are provided daily and/or monthly).

The Agency receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies; primarily New York State Office for People with Developmental Disabilities ("OPWDD"), New York State Office of Mental Health ("OMH"), HIV/AIDS Services Administration ("HASA"), DOHMH and NYCHRA. 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 Agency also receives Supplemental Security Income ("SSI") and Social Security Income ("SSA") payments for the participants. A portion of the SSI/SSA payments represents the participants' contributions toward the cost of goods and services and is recognized as revenue when received. The remaining portion of SSI/SSA represent the participants' personal allowance and is recognized as a liability due to clients.

H. ***Prior Year Revenue*** – Retroactive adjustments of reimbursement rates are recorded in revenue. Included in the change in net assets for the years ended June 30, 2014 and 2013 is approximately $109,000 and $400,000 of prior year decreases relating to such adjustments which is included in prior year revenue in the consolidated statements of activities.

I. ***Functional Allocation of Expenses*** – The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Because the Agency is a multi-program/multi-funded organization, certain costs have been allocated between functional and supporting programs as determined by management. Such allocations conform to those made in seeking funds from third-party sources.

J. ***Consumer Funds –*** Consumer funds consist of funds held on behalf of clients. Such funds represent living allowances received by clients from the State of New York, as well as other funds deposited for safekeeping. These funds are disbursed at the request of, or on behalf of, clients for their personal use.

K. ***Special Events Direct Costs –*** The direct cost of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.

L. ***Basis of Accounting and Use of Estimates –*** The preparation of the 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 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.

M. ***Reclassifications –*** Certain line items in the June 30, 2013 consolidated financial statements have been reclassified to conform to the June 30, 2014 consolidated financial statement presentation.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2014 and 2013:

	2014	2013
New York State Office for People With Developmental Disabilities	$ 369,163	$ 550,394
HIV/AIDS Services Administration	1,030,228	1,522,962
HIV/AIDS Services Administration – client fees	485,924	418,492
Housing Opportunities for Persons With AIDS	130,106	-
Housing Opportunities for Persons With AIDS – client fees	1,452	-
Deutsche bank	75,000	-
Public Heath Solutions	189,446	150,406
New York City Office of Mental Health	74,706	51,819
Home Health	69,684	22,143
Others	210	-
Accounts receivable, before allowance	2,425,919	2,716,216
Less: allowance for doubtful accounts	(319,730)	(269,730)
Accounts receivable, net	$ 2,106,189	$ 2,446,486

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2014 and 2013:

	2014	2013	Useful Lives
Land	$ 1,538,602	$ 1,538,602	
Buildings and building improvements	11,865,834	11,871,191	25 years
Leasehold improvements	641,444	627,924	25 years
Furniture and equipment	100,929	118,106	5-10 years
Vehicles	262,560	334,494	5-10 years
Work in progress (see Note 6)	312,659	73,553	
	14,722,028	14,563,870	
Less: accumulated depreciation and amortization	(6,270,391)	(5,826,724)	
Net book value	$ 8,451,637	$ 8,737,146	

For the years ended June 30, 2014 and 2013, depreciation and amortization expense amounted to $538,114 and $540,364, respectively. During the year ended June 30, 2014, the Agency wrote off fully depreciated fixed assets amounting to $94,447.

NOTE 5 – DEBT SERVICE RESERVE FUNDS AND DEFERRED FINANCING COST

Debt reserve funds consist of the following:

	2014	2013
Capital reserve accounts – OMH	$ 366,142	$ 338,099
Debt service reserve fund - OPWDD	139,363	139,363
	$ 505,505	$ 477,462

Debt service reserve funds represent funds held by OPWDD and OMH. These funds will be applied to the last payment required on the mortgages with the Facilities Development Corporation ("FDC") and Dormitory Authority of the State of New York ("DASNY"). The increase during the year ended June 30, 2014 represents investment earnings. This reserve will earn interest to be used to offset the Agency's final payment obligation under the mortgage (as further described in Note 6) for the Agency's residential facilities.

NOTE 5 – DEBT SERVICE RESERVE FUNDS AND DEFERRED FINANCING COST (Continued)

Deferred financing costs represent unamortized bond fees related to the mortgages payable, as further described in Note 6. Deferred financing costs are amortized using the straight-line method (which does not differ materially from the interest method) over the term of the bonds.

For the years ended June 30, 2014 and 2013, deferred financing costs amortization amounted to $14,686 and $10,569, respectively, and is included in depreciation and amortization expense in the accompanying consolidated financial statements. Amortization expense relating to the deferred financing costs for each of the years ended 2014 through 2017 is estimated to approximate the current year expense.

NOTE 6 – NOTES AND MORTGAGES PAYABLE

The notes and mortgages payable consist of the following as of June 30, 2014 and 2013:

	2014	2013	Annual Interest Rate	Due Date
Note payable to a bank in monthly principal installments of $1,686, plus interest, secured by the mortgage for real estate located on 58th Avenue in East Elmhurst, New York.	$ 60,490	$ 80,723	7.90%	2017
Note payable to a bank in monthly principal installments of $635, plus interest. The note is secured by the assets of the Agency.	2,964	11,222	8.39%	2014
Mortgage payable Facilities Development Corporation of New York State ("FDC") with semi-annual payments of $35,334, including interest, secured by real estate located on Vyse Avenue, in the Bronx, New York.	189,686	259,404	6.31%	2018
Mortgage payable to DASNY-OMH in semiannual payments of $159,562, including interest, secured by real estate located on Southern Boulevard, Bronx, New York	2,049,341	2,249,403	5.41%	2022
Corporation for Supportive Housing mortgage.	1,286,252	1,229,119	7.00%	(*)
Note payable to a foundation.	50,000	25,000	-	(**)
Note payable to a limited liability partnership maturing on December 30, 2014 evidenced by loan and security agreement and the third party guarantee executed on July 12, 2013 with a maturity date of June 30, 2014 further extended to December 30, 2014 by an amendment. The Agency can borrow up to $270,000 under the loan agreement.	120,477	-	6.00%	2014
Mortgage payable to DASNY-OMH in semiannual payments of $214,290, including interest, secured by real estate located on Fairmont Place, Bronx, New York.	4,979,803	5,155,497	4.95%	2031
	$ 8,739,013	$ 9,010,368		

(*) During the year ended June 30, 2013, the HDFC obtained a mortgage from the Corporation of Supportive Housing ("CSH") to finance the acquisition of a property. The mortgage is secured by the property and bears interest at 7% annually. The property is for a new affordable housing project ("Project") consisting of 69 units primarily to house mixed-income populations.

NOTE 6 – NOTES AND MORTGAGES PAYABLE (Continued)

The acquisition, ownership, development and operation of the Project will be the responsibility of Unique, who is a 100% owner of the HDFC. Beneficial ownership will be held by a to-be-determined limited partnership ("LP") comprising a to-be-determined limited liability company ("investor") with a 99.99% interest in the LP and a to- be-determined general partner ("GP") with a .01% interest in the LP. The general managing partner will be a newly created GP which will be wholly owned by Unique. The Housing Collaborative, LLC ("THC") is considered a consultant of Unique for the Project.

Both Unique and THC are guarantors for the CSH loan. The Project will be financed by Low Income Housing Tax Credits ("LIHTC") and other grants. The total amount approved for the acquisition and predevelopment cost was $1,350,000 of which approximately $1,028,000 was disbursed by CSH at the property closing. The Agency incurred loan origination fees and legal fees expenses totaling $20,250 and $5,000, respectively, which have been capitalized. In addition, $175,889 was retained by CSH to make monthly interest payments on the loan which is included as interest reserve in the consolidated statements of financial position. During the year ended June 30, 2014, $81,236 of the interest reserve was amortized and the balance outstanding as of June 30, 2014 amounted to $74,234. Subsequent disbursements for the balance of the loan will be based on eligible expenses incurred by the Agency. During the year ended June 30, 2014, $56,798 was disbursed from the loan to pay for expenses incurred by the Agency. The loan matures the earlier of the Agency obtaining construction financing or March 31, 2015.

(**) During the year ended June 30, 2013, the HDFC received a $225,000 commitment from a foundation through its Supportive Housing Acquisition and Rehabilitation Effort ("SHARE") program to provide supportive housing for mentally ill adults. The commitment of $225,000 consists of both a grant mounting to $150,000 and a $75,000 interest-free loan. The loan is not collateralized and is to be repaid in three annual installments of $25,000 commencing on May 31, 2016.

The Agency is provided additional amounts in their billing rates from governmental sources, the intent of which is to provide the Agency with sufficient funds necessary to pay the debt service for the mortgages due to FDC. The periodic payments for these mortgages are made by OPWDD. OPWDD then recovers these payments via a deduction from the Agency's Medicaid receipts. Note 7 provides additional information on the balance due to OPWDD for these payments.

Future annual principal payments are as follows for the years ended subsequent to June 30, 2014:

2015	$ 1,892,208
2016	531,293
2017	533,737
2018	464,694
2019	485,607
Thereafter	4,831,474
	$ 8,739,013

Interest expense for notes and mortgages amounted to $388,026 and $415,329, respectively, for the years ended June 30, 2014 and 2013.

NOTE 7 – DUE TO GOVERNMENTAL AGENCIES

As of June 30, 2014 and 2013, the amounts due to governmental agencies consist of the following:

	2014	2013
Public Heath Solutions	$ 104,499	$ 102,441
New York State Office of Mental Health	548,566	1,097,771
	$ 653,065	$ 1,200,212

Due to governmental agencies includes advances from funding sources for which the Agency has yet to provide services.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. ***Funding Source Audits***

Pursuant to the Agency's contractual relationships with certain funding sources, outside governmental agencies have the right to examine the books and records of the Agency involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of the Agency, any actual disallowances would be immaterial. In addition, certain agreements provide that some property and equipment either owned by, or on loan to, the Agency will continue to be utilized by the Agency.

B. ***Lease Commitments***

The Agency is obligated under various operating leases for real property and equipment. The Agency has the option to renew certain leases upon expiration. Aggregate minimum rentals for the fiscal years ending after June 30, 2014 are as follows:

	Real Property	Equipment	Total
2015	$ 3,326,000	$ 153,000	$ 3,479,000
2016	1,458,000	145,000	1,603,000
2017	137,000	109,000	246,000
2018	51,000	1,000	52,000
	$ 4,972,000	$ 408,000	$ 5,380,000

Rent expense for real property and equipment amounted to $5,600,317 and $318,295, respectively, and $5,202,434 and $190,938, respectively, for the years ended June 30, 2014 and 2013.

C. ***Litigations***

In the normal course of its operations, the Agency is a defendant or co-defendant in various legal proceedings. While the ultimate outcome of such proceedings cannot be determined, management generally does not expect the resolution of such actions to have a materially adverse effect on the Agency's financial position.

D. ***Income Taxes***

The Agency has no uncertain tax positions as of June 30, 2014 and 2013 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. The Agency is no longer subject to federal or state and local income tax examinations by tax authorities for the year ended June 30, 2011 and prior years.

NOTE 9 – PENSION PLAN

The Agency maintains a 401(k) pension plan (the "Plan") which covers all employees meeting eligibility requirements. Employees defer a portion of their salaries to the Plan. In addition, the Agency contributes 1% of each employee's compensation to the Plan. Pension expense for the years ended June 30, 2014 and 2013 was $68,514 and $63,195, respectively.

NOTE 10 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to a concentration of credit risk included cash accounts with banks that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately $4,162,000 and $3,714,000 as of June 30, 2014 and 2013, respectively. This excess includes outstanding checks. Interest bearing accounts are insured up to $250,000 per depositor. Interest bearing accounts are insured up to $250,000 per depositor. Through December 31, 2012, noninterest-bearing accounts were fully insured. Beginning in 2013, noninterest-bearing accounts are insured the same as interest-bearing accounts.

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in the amount of $2,750 are available for employee recognition awards. Net assets were released from donor restrictions during the year ended June 30, 2014 by incurring expenses satisfying the restricted purpose or occurrence specified by the donors.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure events subsequent to the date of the consolidated statement of financial position through December 1, 2014, the date the consolidated financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through December 1, 2014 that would require adjustment to or disclosure in the consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AS OF JUNE 30, 2014 AND 2013

	As of June 30, 2014					As of June 30, 2013				
	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	Consolidating Eliminations	Consolidated Total	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	Consolidating Eliminations	Consolidated Total
ASSETS										
Cash and cash equivalents	$ 4,031,610	$ 234,389	$ 77,773	$ -	$ 4,343,772	$ 3,503,324	$ 678,174	$ 74,185	$ -	$ 4,255,683
Accounts receivable, net	462,311	1,568,878	75,000	-	2,106,189	576,264	1,870,222	-	-	2,446,486
Interest reserve	-	-	74,234	-	74,234	-	-	155,470	-	155,470
Due from affiliate	-	27,063	-	(27,063)	-	1,013,086	-	-	(1,013,086)	-
Prepaid expenses and other assets	166,357	374,589	-	-	540,946	147,895	329,020	-	-	476,915
Property and equipment, net	7,109,413	49,134	1,293,090	-	8,451,637	7,614,704	68,458	1,053,984	-	8,737,146
Deferred financing costs	35,482	-	24,688	-	60,170	46,387	-	17,719	-	64,106
Debt service reserve funds	505,505	-	-	-	505,505	477,462	-	-	-	477,462
Consumer funds	30,827	-	-	-	30,827	18,078	-	-	-	18,078
TOTAL ASSETS	$ 12,341,505	$ 2,254,053	$ 1,544,785	$ (27,063)	$ 16,113,280	$ 13,397,200	$ 2,945,874	$ 1,301,358	$ (1,013,086)	$ 16,631,346
LIABILITIES										
Accounts payable and accrued expenses	$ 644,874	$ 440,141	$ 6,750	$ -	$ 1,091,765	$ 574,637	$ 327,046	$ -	$ -	$ 901,683
Due to governmental agencies	548,566	104,499	-	-	653,065	1,097,771	102,441	-	-	1,200,212
Due to affiliate	27,063	-	-	(27,063)	-	-	1,012,986	100	(1,013,086)	-
Notes and mortgages payable	7,282,284	-	1,456,729	-	8,739,013	7,756,249	-	1,254,119	-	9,010,368
Consumer funds	30,827	-	-	-	30,827	18,078	-	-	-	18,078
TOTAL LIABILITIES	8,533,614	544,640	1,463,479	(27,063)	10,514,670	9,446,735	1,442,473	1,254,219	(1,013,086)	11,130,341
NET ASSETS										
Unrestricted	3,805,141	1,709,413	81,306	-	5,595,860	3,950,465	1,503,401	47,139	-	5,501,005
Temporarily restricted	2,750	-	-	-	2,750	-	-	-	-	-
TOTAL NET ASSETS	3,807,891	1,709,413	81,306	-	5,598,610	3,950,465	1,503,401	47,139	-	5,501,005
TOTAL LIABILITIES AND NET ASSETS	$ 12,341,505	$ 2,254,053	$ 1,544,785	$ (27,063)	$ 16,113,280	$ 13,397,200	$ 2,945,874	$ 1,301,358	$ (1,013,086)	$ 16,631,346

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Year Ended June 30, 2014					Year Ended June 30, 2013				
	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	Consolidating Eliminations	Consolidated Total	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	Consolidating Eliminations	Consolidated Total
CHANGES IN UNRESTRICTED NET ASSETS:										
OPERATING REVENUES AND SUPPORT:										
Medicaid income	$ 5,756,704	$ -	$ -	$ -	$ 5,756,704	$ 5,746,506	$ -	$ -	$ -	$ 5,746,506
Government grant income	3,858,567	9,246,008	-	-	13,104,575	3,617,470	8,717,760	-	-	12,335,230
Participant fees	1,314,402	435,769	-	-	1,750,171	1,268,510	475,197	-	-	1,743,707
Contributions	40,599	5,000	50,000	-	95,599	40,678	5,000	50,000	-	95,678
Special events, net of direct expenses $38,028 and $12,150, respectively	61,443	-	-	-	61,443	17,459	-	-	-	17,459
Other revenue	160,812	20	-	-	160,832	126,874	6,329	-	-	133,203
Net assets release from restrictions	250	-	-	-	250	-	-	-	-	-
Total Operating Revenues and Support	11,192,777	9,686,797	50,000	-	20,929,574	10,817,497	9,204,286	50,000	-	20,071,783
OPERATING EXPENSES:										
Program services:										
Intermediate care facilities	1,413,929	-	-	-	1,413,929	1,273,719	-	-	-	1,273,719
Home and community based services	4,207,049	-	-	-	4,207,049	4,236,306	-	-	-	4,236,306
Community residences	4,296,760	-	-	-	4,296,760	4,064,869	-	-	-	4,064,869
AIDS programs	-	8,771,074	-	-	8,771,074	-	8,541,661	-	-	8,541,661
Management and administration	1,279,655	695,141	15,833	-	1,990,629	1,204,506	594,267	2,861	-	1,801,634
Fundraising	46,130	-	-	-	46,130	8,329	-	-	-	8,329
Total Operating Expenses	11,243,523	9,466,215	15,833	-	20,725,571	10,787,729	9,135,928	2,861	-	19,926,518
Change in Unrestricted Net Assets	(50,746)	220,582	34,167	-	204,003	29,768	68,358	47,139	-	145,265
Prior year revenue	(94,578)	(14,570)	-	-	(109,148)	(321,327)	(78,290)	-	-	(399,617)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:										
Contributions	3,000	-	-	-	3,000	-	-	-	-	-
Net assets released from restrictions	(250)	-	-	-	(250)	-	-	-	-	-
Change in Temporarily Restricted Net Assets	2,750	-	-	-	2,750	-	-	-	-	-
CHANGE IN TOTAL NET ASSETS	(142,574)	206,012	34,167	-	97,605	(291,559)	(9,932)	47,139	-	(254,352)
Net assets - Beginning of Year	3,950,465	1,503,401	47,139	-	5,501,005	4,242,024	1,513,333	-	-	5,755,357
NET ASSETS - END OF YEAR	$ 3,807,891	$ 1,709,413	$ 81,306	$ -	$ 5,598,610	$ 3,950,465	$ 1,503,401	$ 47,139	$ -	$ 5,501,005

See independent auditors' report.

UNIQUE PEOPLE SERVICES, INC.
AND AFFILIATES

Consolidated Financial Statements

Years Ended June 30, 2013 and 2012
(Together with Independent Auditors' Report)

Marks Paneth & Shron LLP
Certified Public Accountants & Consultants
IT ALL ADDS UP.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2013 AND 2012

CONTENTS

Marks Paneth & Shron LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Unique People Services and Affiliates

We have audited the accompanying consolidated financial statements of Unique People Services, Inc. ("Unique"), Unique People Services – AIDS Programs, Inc. ("Unique – Aids" or Affiliate) and Lynn's Place Housing Development Fund Company ("HDFC"), (collectively, the "Agency") which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, 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 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 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 of 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 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 Unique People Services, Inc., Unique People Services – AIDS Program, Inc. and Lynn's Place Housing Development Fund Company as of June 30, 2013 and 2012, 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.

Other Matter

Our audits were conducted for the purposes of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information (shown on pages 13-14) as of and for the years ended June 30, 2013 and 2012 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
January 16, 2014

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents (Notes 2C and 10)	$ 4,255,683	$ 2,738,361
Accounts receivable, net (Notes 2E and 3)	2,446,486	3,136,084
Interest reserve (Note 6)	155,470	-
Prepaid expenses and other assets	476,915	420,881
Property and equipment, net (Notes 2F and 4)	8,737,146	8,223,527
Deferred financing cost, net (Notes 5 and 6)	64,106	54,425
Debt service reserve funds (Note 5)	477,462	459,661
Consumer funds (Note 2J)	18,078	17,015
TOTAL ASSETS	$ 16,631,346	$ 15,049,954
LIABILITIES		
Accounts payable and accrued expenses	$ 901,683	$ 981,203
Due to governmental agencies (Note 7)	1,200,212	80,367
Notes and mortgages payable (Note 6)	9,010,368	8,216,012
Consumer funds (Note 2J)	18,078	17,015
TOTAL LIABILITIES	11,130,341	9,294,597
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2B)		
Unrestricted	5,501,005	5,755,357
TOTAL NET ASSETS	5,501,005	5,755,357
TOTAL LIABILITIES AND NET ASSETS	$ 16,631,346	$ 15,049,954

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES AND SUPPORT (Note 2G):		
Medicaid income (Note 2H)	$ 5,746,506	$ 5,644,003
Government grant income (Note 2G)	12,385,230	12,314,381
Participant fees	1,743,707	1,701,506
Contributions (Note 2D)	45,678	18,735
Special events, net of direct expenses $12,150 and $22,367, respectively (Note 2K)	17,459	69,551
Other revenues	133,203	138,592
Total Operating Revenues and Support	20,071,783	19,886,768
OPERATING EXPENSES (Note 2I) :		
Program services:		
Intermediate care facilities	1,273,719	1,299,787
Home and community based services	4,236,306	4,230,371
Community residences	4,064,869	4,032,112
AIDS programs	8,541,661	8,519,332
Total program services	18,116,555	18,081,602
Management and administration	1,801,634	1,639,181
Fundraising	8,329	8,009
Total Operating Expenses	19,926,518	19,728,792
Change in Net Assets from operations	145,265	157,976
Prior year revenue (Note 2H)	(399,617)	25,644
CHANGE IN TOTAL NET ASSETS	(254,352)	183,620
Net Assets - Beginning of Year	5,755,357	5,571,737
NET ASSETS - END OF YEAR	$ 5,501,005	$ 5,755,357

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Totals for June 30, 2012)

	For the Year Ended June 30, 2013									
	Program Services					Supporting Services				
	Intermediate Care Facilities	Home and Community Based Services	Community Residences	AIDS Program	Total Program Services	Management and Administration	Fund Raising	Total Supporting Services	Total 2013	Total 2012
Salaries	$ 697,326	$ 2,328,523	$ 1,439,715	$ 2,183,935	$ 6,649,499	$ 1,113,562	$ -	$ 1,113,562	$ 7,763,061	$ 7,898,464
Payroll taxes and employee benefits (Note 9)	273,497	896,778	465,958	798,004	2,434,237	235,890	-	235,890	2,670,127	2,525,377
Total salaries and related costs	970,823	3,225,301	1,905,673	2,981,939	9,083,736	1,349,452	-	1,349,452	10,433,188	10,423,841
Food and recreation activities	36,489	119,668	28,779	66,978	251,914	16,319	75	16,394	268,308	293,008
Repairs and maintenance	21,228	65,829	154,889	113,797	355,743	31,357	-	31,357	387,100	381,408
Utilities	16,159	54,116	239,740	228,286	538,301	25,945	-	25,945	564,246	531,145
Transportation and travel	5,406	35,331	28,433	105,665	174,835	10,573	-	10,573	185,408	195,512
Facility tax assessments	98,114	-	-	-	98,114	-	-	-	98,114	132,290
Clothing	2,500	13,350	-	-	15,850	-	-	-	15,850	16,448
Program supplies	-	5,439	31,594	-	37,033	279	-	279	37,312	22,337
Staff training	2,105	20,982	8,079	6,291	37,457	14,482	-	14,482	51,939	46,484
Contracted services	5,087	116,744	-	-	121,831	-	-	-	121,831	24,222
Professional fees	5,280	50,300	45.750	264,868	366,198	40,264	3,400	43,664	409,862	365,873
Office supplies	4,350	14,350	11,487	51,982	82,169	20,965	-	20,965	103,134	82,937
Household and medical supplies	9,057	34,618	44,169	29,206	117,050	8,818	-	8,818	125,868	110,002
Telephone	5,777	29,941	28,286	97,438	161,442	29,364	-	29,364	190,806	141,502
Equipment leases (Note 8)	13,432	36,442	22.521	84,776	157,171	33,767	-	33,767	190,938	216,653
Rent (Note 8)	-	161,177	658,078	4,262,515	5,081,770	120,664	-	120,664	5,202,434	5,136,464
Expensed equipment	-	-	-	54,601	54,601	-	-	-	54,601	96,767
Property and general insurance	1,244	32,846	17,416	142,261	193,767	-	-	-	193,767	191,939
Interest expense (Note 6)	2,898	19,343	393,088	-	415,329	-	-	-	415,329	436,317
Client stipends	62	1,488	30,990	-	32,540	-	-	-	32,540	32,679
Bad debt expense	-	-	-	-	-	-	-	-	-	51,909
Depreciation and amortization (Note 4)	46,801	68,647	403,646	6,805	525,899	25,034	-	25,034	550,933	486,268
Other expenses	26,907	130,394	12,251	44,253	213,805	74,351	4,854	79,205	293,010	312,787
TOTAL	$ 1,273,719	$ 4,236,306	$ 4,064,869	$ 8,541,661	$ 18,116,555	$ 1,801,634	$ 8,329	$ 1,809,963	$ 19,926,518	$ 19,728,792

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services							
	Intermediate Care Facilities	Home and Community Based Services	Community Residences	AIDS Program	Total Program Services	Management and Administration	Fund Raising	Total 2012
Salaries	$ 672,916	$ 2,364,294	$ 1,454,979	$ 2,346,229	$ 6,838,418	$ 1,060,046	$ -	$ 7,898,464
Payroll taxes and employee benefits (Note 9)	244,552	852,616	522,498	705,649	2,325,315	200,062	-	2,525,377
Total salaries and related costs	917,468	3,216,910	1,977,477	3,051,878	9,163,733	1,260,108	-	10,423,841
Food and recreational activities	43,243	134,318	31,946	82,222	291,729	820	459	293,008
Repairs and maintenance	18,622	98,191	131,680	110,014	358,507	21,439	1,462	381,408
Utilities	19,822	69,784	196,069	222,759	508,434	22,273	438	531,145
Transportation and travel	8,927	42,660	19,177	113,525	184,289	10,807	416	195,512
Facility tax assessments	132,290	-	-	-	132,290	-	-	132,290
Clothing	2,500	13,948	-	-	16,448	-	-	16,448
Program supplies	1,828	11,576	6,333	-	19,737	2,503	97	22,337
Staff training	1,625	11,662	14,505	14,574	42,366	4,118	-	46,484
Contracted services	8,471	15,751	-	-	24,222	-	-	24,222
Professional fees	9,244	40,103	57,730	216,655	323,732	42,141	-	365,873
Office supplies	5,409	9,827	12,624	36,139	63,999	17,696	1,242	82,937
Household and medical supplies	5,992	26,937	35,495	37,147	105,571	4,133	298	110,002
Telephone	3,392	13,418	11,073	69,682	97,565	43,499	438	141,502
Equipment leases (Note 8)	19,101	54,004	36,280	69,895	179,280	36,302	1,071	216,653
Rent (Note 8)	1,098	155,688	650,871	4,234,938	5,042,595	93,869	-	5,136,464
Expensed equipment	-	-	-	96,767	96,767	-	-	96,767
Property and general insurance	21,039	69,642	18,505	57,643	166,829	25,110	-	191,939
Interest expense (Note 6)	5,870	19,483	410,964	-	436,317	-	-	436,317
Client stipends	651	1,013	29,768	1,247	32,679	-	-	32,679
Bad debt expense	-	-	-	51,909	51,909	-	-	51,909
Depreciation and amortization (Note 4)	42,967	81,774	331,997	29,530	486,268	-	-	486,268
Other expenses	30,228	143,682	59,618	22,808	256,336	54,363	2,088	312,787
TOTAL	$ 1,299,787	$ 4,230,371	$ 4,032,112	$ 8,519,332	$ 18,081,602	$ 1,639,181	$ 8,009	$ 19,728,792

The accompanying notes are an integral part of these consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (254,352)	$ 183,620
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	550,933	486,268
Bad debt	-	51,909
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	689,598	(369,051)
Due from affiliates	-	-
Prepaid expenses and other assets	(56,034)	(19,831)
Interest reserve	(155,470)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(79,520)	(358,809)
Workers' compensation assessment payable	-	(191,766)
Due to governmental agencies	1,119,845	(905,522)
Net Cash Provided (Used) by Operating Activities	1,815,000	(1,123,182)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,074,233)	(7,724)
Debt service reserve funds	(17,801)	(27,510)
Net Cash Used by Investing Activities	(1,092,034)	(35,234)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage payable	1,254,119	-
Repayment of notes and mortgages payable	(459,763)	(521,291)
Net Cash Provided (Used) by Financing Activities	794,356	(521,291)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,517,322	(1,679,707)
Cash and Cash Equivalents - Beginning of Year	2,738,361	4,418,068
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,255,683	$ 2,738,361
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 415,329	$ 436,317
Non-Cash Financing Activity:		
Deferred financing cost and interest reserve	$ 196,319	$ -

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The accompanying consolidated financial statements include Unique People Services, Inc. ("Unique"), Unique People Services — AIDS Programs, Inc. ("Unique-AIDS" or "Affiliate") and Lynn's Place Housing Development Fund Company, Inc. ("HDFC") (collectively the "Agency"). Unique, Unique-AIDS and the HDFC are related through common Board membership and substantially identical management.

Unique is a New York not-for-profit corporation formed primarily for the purpose of alleviating human suffering and distress and for the betterment and improvement of mankind, especially those persons who are developmentally disabled. Unique operates four Individual Residential Alternative ("IRA") programs, and one Intermediate Care Facility which provides residential, rehabilitative and case management services to developmentally disabled individuals. Additionally, Unique provides community-based housing to adult individuals who suffer with serious and persistent mental illness through community residence/single residence occupancy and supported housing.

Unique-AIDS is a New York not-for-profit corporation formed primarily for the purpose of alleviating human suffering and distress and for the betterment and improvement of mankind, especially those persons who have HIV/AIDS. Unique-AIDS operates residential facilities, scatter site apartments and case management for families, children and single persons with AIDS. Unique-AIDS also operates a care coordination program funded through the Ryan White HIV/AIDS Treatment Extension Act of 2009-Part A through the New York City Department of Health and Mental Hygiene to Public Health Solutions ("DOHMH PHS").

The HDFC was formed pursuant to the Private-Housing Finance Law and the Not-for-Profit Corporation Law, both of the State of New York, for the purpose of developing a housing project for persons with low income. Unique is the sole corporate member of the HDFC and the member designates the board of directors of the HDFC.

Unique and Unique – AIDS have been granted an exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Similar exemptions exist at the state and local levels. The HDFC is in the process of securing Federal and State income tax exemption. The Agency is supported primarily by government fees and contracts, Medicaid revenue and participant fees.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of* Accounting** – The Agency's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP'). All significant intercompany transactions have been eliminated during consolidation.

B. ***Net Assets*** – The Agency's resources are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

   Unrestricted – include expendable resources not subject to donor-imposed restrictions.

   Temporarily restricted – include resources subject to donor-imposed 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 accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

   Permanently restricted - include resources subject to donor-imposed stipulations, requiring that the principal be maintained in perpetuity.

C. ***Cash and Cash Equivalents*** – Cash equivalents include all highly liquid instruments purchased with a maturity of three months or less.

D. ***Contributions*** – The Agency records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either unrestricted, temporarily restricted or permanently restricted support depending on the existence of any donor restrictions.

   Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

   Material contributions of noncash assets are recorded at their fair value in the period received.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ***Allowance for Uncollectible Receivables*** – The Agency provides an allowance for doubtful accounts for receivables. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions, creditworthiness of its donors and historical experience. A significant portion of the accounts receivable consists of amounts due from New York State and New York City sources. As of June 30, 2013 and 2012, the Agency determined an allowance of approximately $270,000 was necessary.

F. ***Property and Equipment*** – Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. The Agency capitalizes property and equipment with a cost of $5,000 or more and a useful life greater than two years. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is less.

G. ***Revenue Sources and Recognition*** – 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 establishes refundable advances from governmental sources. Any revenue for contracts that has not yet been earned is reclassified as deferred revenue on the statement of financial position. Revenue from fees for service programs is recognized when earned (services are provided daily and/or monthly).

The Agency receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies; primarily New York State Office for People with Developmental Disabilities ("OPWDD"), New York State Office of Mental Health ("OMH"), HIV/AIDS Services Administration ("HASA") and DOHMH PHS. 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. Retroactive adjustments to revenue are recognized in the year the adjustments are made.

The Agency also receives Supplemental Security Income ("SSI") and Social Security Income ("SSA") payments for the participants. A portion of the SSI/SSA payments represents the participants' contributions toward the cost of goods and services and is recognized as revenue when received. The remaining portion of SSI/SSA represent the participants' personal allowance and is recognized as a liability due to clients.

H. ***Prior Year Revenue*** – Retroactive adjustments of reimbursement rates are recorded in revenue. Included in the change in net assets for the years ended June 30, 2013 and 2012 is approximately ($400,000) and $26,000 of prior year (decreases) increases relating to such adjustments which is included in prior year revenue in the consolidated statements of activities.

I. ***Functional Allocation of Expenses*** – The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Because the Agency is a multi-program/multi-funded organization, certain costs have been allocated between functional and supporting programs as determined by management. Such allocations conform to those made in seeking funds from third-party sources.

J. ***Consumer Funds*** – Consumer funds consist of funds held on behalf of clients. Such funds represent living allowances received by clients from the State of New York, as well as other funds deposited for safekeeping. These funds are disbursed at the request of, or on behalf of, clients for their personal use.

K. ***Special Events Direct Costs*** – The direct cost of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.

L. ***Basis of Accounting and Use of Estimates*** – The preparation of the 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 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.

M. ***Reclassifications*** – Certain line items in the June 30, 2012 consolidated financial statements have been reclassified to conform to the June 30, 2013 consolidated financial statements presentation.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2013 and 2012:

	2013	2012
New York State Office for People With Developmental Disabilities	$ 550,394	$ 227,163
HIV/AIDS Services Administration	1,522,962	2,510,907
HIV/AIDS Services Administration – client fees	418,492	402,979
Public Heath Solutions	150,406	204,634
New York City Office of Mental Health	51,819	60,131
Home Health	22,143	-
Accounts receivable, before allowance	2,716,216	3,405,814
Less: allowance for doubtful accounts	(269,730)	(269,730)
Accounts receivable, net	$ 2,446,486	$ 3,136,084

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2013 and 2012:

	2013	2012	Useful Lives
Land	$ 1,538,602	$ 558,171	
Buildings and building improvements	11,871,190	11,972,994	25 years
Leasehold improvements	627,924	627,924	25 years
Furniture and equipment	118,108	638,329	5-10 years
Vehicles	334,494	443,745	5-10 years
Work in progress (see Note 6)	48,133	-	
	14,538,451	14,241,163	
Less: accumulated depreciation and amortization	(5,826,724)	(6,017,636)	
Net book value	$ 8,711,727	$ 8,223,527	

For the years ended June 30, 2013 and 2012, depreciation and amortization expense amounted to $540,364 and $482,411, respectively. During the year ended June 30, 2013, the Agency wrote off fully depreciated fixed assets amounting to $731,276.

NOTE 5 – DEBT SERVICE RESERVE FUNDS AND DEFERRED FINANCING COST

Debt reserve funds consist of the following:

	2013	2012
Capital reserve accounts – OMH	$ 338,099	$ 320,298
Debt service reserve fund	139,363	139,363
	$ 477,462	$ 459,661

Debt service reserve funds represent funds held by OPWDD and OMH. These funds will be applied to the last payment required on the mortgages with the Facilities Development Corporation ("FDC") and Dormitory Authority of the State of New York ("DASNY"). The increase during the year ended June 30, 2013 represents investment earnings. This reserve will earn interest to be used to offset the Agency's final payment obligation under the mortgage (as further described in Note 6) for the Agency's residential facilities.

Deferred financing costs represent unamortized bond fees related to the mortgages payable, as further described in Note 6. Deferred financing costs are amortized using the straight-line method (which does not differ materially from the interest method) over the term of the bonds.

NOTE 5 – DEBT SERVICE RESERVE FUNDS AND DEFERRED FINANCING COST (Continued)

For the years ended June 30, 2013 and 2012, deferred financing costs amortization amounted to $ 8,038 and is included in depreciation and amortization expense in the accompanying consolidated financial statements. Amortization expense relating to the deferred financing costs for each of the years ended 2013 through 2017 is estimated to approximate the current year expense.

NOTE 6 – NOTES AND MORTGAGES PAYABLE

The notes and mortgages payable consist of the following as of June 30, 2013 and 2012:

	2013	2012	Annual Interest Rate	Due Date
Note payable to a bank in monthly principal installments of $1,686, plus interest, secured by the mortgage for real estate located on 58th Avenue in East Elmhurst, New York.	$ 80,723	$ 100,956	7.90%	2017
Note payable to a bank in monthly principal installments of $635, plus interest. The note is secured by the assets of the Agency.	11,222	18,845	8.39%	2014
Mortgage payable Facilities Development Corporation of New York State ("FDC") with semi-annual payments of $35,334, including interest, secured by real estate located on Vyse Avenue, in the Bronx, New York.	259,404	332,381	6.31%	2018
Mortgage payable to FDC with semi-annual payments of approximately $24,000, including interest, secured by real estate located at 94-30 220th Street, Queens, New York.	-	1,957	5.46%	2012
Mortgage payable to DASNY-OMH in semiannual payments of $159,562, including interest, secured by real estate located on Southern Boulevard, Bronx, New York	2,249,403	2,439,061	5.41%	2022
Corporation for Supportive Housing mortgage.	1,229,119	-	7.00%	(*)
Note payable to a foundation.	25,000	-	-	(**)
Mortgage payable to DASNY-OMH in semiannual payments of $214,290, including interest, secured by real estate located on Fairmont Place, Bronx, New York.	5,155,497	5,322,812	4.95%	2031
	$ 9,010,368	$ 8,216,012		

(*) During the year ended June 30, 2013, the HDFC obtained a mortgage from the Corporation of Supportive Housing ("CSH") to finance the acquisition of a property. The mortgage is secured by the property and bears interest at 7% annually. The property is for a new affordable housing project ("Project") consisting of 61 units primarily to house mixed-income populations.

The acquisition, ownership, development and operation of the Project will be a joint venture between Unique and The Housing Collaborative, LLC ("THC"). Beneficial ownership will be held by a to-be-determined limited partnership ("LP") comprising a to-be-determined limited liability company ("investor") with a 99.99% interest in the LP and a to- be-determined general partner ("GP") with a .01% interest in the LP. The general managing partner will be a newly created GP reflecting a partnership of Unique with a 51% interest and THC with a 49% interest.

NOTE 6 – NOTES AND MORTGAGES PAYABLE (Continued)

Both Unique and THC are guarantors for the CSH loan. The Project will be financed by Low Income Housing Tax Credits ("LIHTC") and other grants. The total amount approved for the acquisition and predevelopment cost was $1,350,000 of which approximately $1,028,000 was disbursed by CSH at the property closing. The Agency incurred loan origination fees and legal fees expenses totaling $20,250 and $5,000, respectively, which have been capitalized. In addition, $175,889 was retained by CSH to make monthly interest payments on the loan which is included as interest reserve in the consolidated statements of financial position as of June 30, 2013. Subsequent disbursements for the balance of the loan will be based on eligible expenses incurred by the Agency. The loan matures the earlier of the Agency obtaining construction financing or March 31, 2015.

(**) During the year ended June 30, 2013, the HDFC received a $225,000 commitment from a foundation through its Supportive Housing Acquisition and Rehabilitation Effort ("SHARE") program to provide supportive housing for mentally ill adults. The commitment of $225,000 consists of both a grant mounting to $150,000 and a $75,000 interest-free loan. The loan is not collateralized and is to be repaid in three annual installments of $25,000 commencing on May 31, 2016.

The Agency is provided additional amounts in their billing rates from governmental sources, the intent of which is to provide the Agency with sufficient funds necessary to pay the debt service for the mortgages due to FDC. The periodic payments for these mortgages are made by OPWDD. OPWDD then recovers these payments via a deduction from the Agency's Medicaid receipts. Note 7 provides additional information on the balance due to OPWDD for these payments.

Future annual principal payments are as follows for the years ended subsequent to June 30, 2013:

2014	$ 498,329
2015	1,722,221
2016	513,916
2017	496,882
2018	461,322
Thereafter	5,317,698
	$ 9,010,368

Interest expense for notes and mortgages amounted to $415,329 and $436,317, respectively, for the years ended June 30, 2013 and 2012.

NOTE 7 – DUE TO GOVERNMENTAL AGENCIES

As of June 30, 2013 and 2012, the amounts due to governmental agencies consist of the following:

	2013	2012
Public Heath Solutions	$ 102,441	$ 80,367
New York State Office of Mental Health	1,097,771	-
	$ 1,200,212	$ 80,367

Due to governmental agencies includes advances from funding sources for which the Agency has yet to provide services.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. ***Funding Source Audits***

Pursuant to the Agency's contractual relationships with certain funding sources, outside governmental agencies have the right to examine the books and records of the Agency involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of the Agency, any actual disallowances would be immaterial. In addition, certain agreements provide that some property and equipment either owned by, or on loan to, the Agency will continue to be utilized by the Agency.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

B. ***Lease Commitments***

The Agency is obligated under various operating leases for real property and equipment. The Agency has the option to renew certain leases upon expiration. Aggregate minimum rentals for the fiscal years ending after June 30, 2013 are as follows:

	Real Property	Equipment	Total
2014	$ 3,757,000	$ 106,000	$ 3,863,000
2015	945,000	100,000	1,045,000
2016	162,000	48,000	210,000
2017	83,000	-	83,000
2018	51,000	-	51,000
	$ 4,998,000	$ 254,000	$ 5,252,000

Rent expense for real property and equipment amounted to $ 5,202,434 and $190,938, respectively, and $5,136,464 and $216,653, respectively, for the years ended June 30, 2013 and 2012.

C. ***Litigations***

In the normal course of its operations, the Agency is a defendant or co-defendant in various legal proceedings. While the ultimate outcome of such proceedings cannot be determined, management generally does not expect the resolution of such actions to have a materially adverse effect on the Agency's financial position.

D. ***Income Taxes***

The Agency has no uncertain tax positions as of June 30, 2013 and 2012 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. The Agency is no longer subject to federal or state and local income tax examinations by tax authorities for the year ended June 30, 2010 and prior years.

NOTE 9 – PENSION PLAN

The Agency maintains a 401(k) pension plan (the "Plan") which covers all employees meeting eligibility requirements. Employees defer a portion of their salaries to the Plan. In addition, the Agency contributes 1% of each employee's compensation to the Plan. Pension expense for the years ended June 30, 2013 and 2012 was $63,195 and $69,065, respectively.

NOTE 10 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to a concentration of credit risk included cash accounts with banks that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately $3,714,000 and $287,500 as of June 30, 2013 and 2012, respectively. This excess includes outstanding checks. Interest bearing accounts are insured up to $250,000 per depositor. Through December 31, 2012, noninterest-bearing accounts were fully insured. Beginning in 2013, noninterest-bearing accounts are insured the same as interest-bearing accounts.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure events subsequent to the date of the consolidated statement of financial position through January 16, 2014, the date the consolidated financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through January 16, 2014 that would require adjustment to or disclosure in the consolidated financial statements.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012

	As of June 30, 2013					As of June 30, 2012			
	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	Consolidating Eliminations	Consolidated Total	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Consolidating Eliminations	Consolidated Total
ASSETS									
Cash and cash equivalents	$ 3,503,324	$ 678,174	$ 74,185	$ -	$ 4,255,683	$ 2,601,015	$ 137,346	$ -	$ 2,738,361
Accounts receivable, net	576,264	1,870,222	-	-	2,446,486	239,202	2,896,882	-	3,136,084
Interest reserve	-	-	155,470	-	155,470	-	-	-	-
Due from affiliate	1,013,086	-	-	(1,013,086)	-	1,515,671	-	(1,515,671)	-
Prepaid expenses and other assets	147,895	329,020	-	-	476,915	102,545	318,336	-	420,881
Property and equipment, net	7,614,704	68,458	1,053,984	-	8,737,146	8,125,763	97,764	-	8,223,527
Deferred financing costs	46,387	-	17,719	-	64,106	54,425	-	-	54,425
Debt service reserve funds	477,462	-	-	-	477,462	459,661	-	-	459,661
Consumer funds	18,078	-	-	-	18,078	17,015	-	-	17,015
TOTAL ASSETS	$ 13,397,200	$ 2,945,874	$ 1,301,358	$ (1,013,086)	$ 16,631,346	$ 13,115,297	$ 3,450,328	$ (1,515,671)	$ 15,049,954
LIABILITIES									
Accounts payable and accrued expenses	$ 574,637	$ 327,046	$ -	$ -	$ 901,683	$ 640,246	$ 340,957	$ -	$ 981,203
Due to governmental agencies	1,097,771	102,441	-	-	1,200,212	-	80,367	-	80,367
Deferred revenue	-	-	-	-	-	0	-	-	-
Due to affiliate	-	1,012,986	100	(1,013,086)	-	-	1,515,671	(1,515,671)	-
Notes and mortgages payable	7,756,249	-	1,254,119	-	9,010,368	8,216,012	-	-	8,216,012
Consumer funds	18,078	-	-	-	18,078	17,015	-	-	17,015
TOTAL LIABILITIES	9,446,735	1,442,473	1,254,219	(1,013,086)	11,130,341	8,873,273	1,936,995	(1,515,671)	9,294,597
NET ASSETS									
Unrestricted:									
Operating	3,950,465	1,503,401	47,139	-	5,501,005	4,242,024	1,513,333	-	5,755,357
TOTAL NET ASSETS	3,950,465	1,503,401	47,139	-	5,501,005	4,242,024	1,513,333	-	5,755,357
TOTAL LIABILITIES AND NET ASSETS	$ 13,397,200	$ 2,945,874	$ 1,301,358	$ (1,013,086)	$ 16,631,346	$ 13,115,297	$ 3,450,328	$ (1,515,671)	$ 15,049,954

See independent auditors' report.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Year Ended June 30, 2013					Year Ended June 30, 2012			
	Unique People Services, Inc.	Unique People Services - AIDS Programs, Inc.	Lynn's Place HDFC	Consolidating Eliminations	Consolidated Total	Unique People Services, Inc.	Unique - AIDS	Consolidating Eliminations	Consolidated Total
OPERATING REVENUES AND SUPPORT:									
Medicaid income	$ 5,746,506	$ -	$ -	$ -	$ 5,746,506	$ 5,644,003	$ -	$ -	$ 5,644,003
Government grant income	3,617,470	8,717,760	50,000	-	12,385,230	3,544,903	8,769,478	-	12,314,381
Participant fees	1,268,510	475,197	-	-	1,743,707	1,224,829	476,677	-	1,701,506
Contributions	40,678	5,000	-	-	45,678	13,735	5,000	-	18,735
Special events, net of direct expenses $12,150 and $22,367, respectively	17,459	-	-	-	17,459	69,551	-	-	69,551
Other revenue	126,874	6,329	-	-	133,203	136,904	1,688	-	138,592
Total Operating Revenues and Support	10,817,497	9,204,286	50,000	-	20,071,783	10,633,925	9,252,843	-	19,886,768
OPERATING EXPENSES:									
Program services:									
Intermediate care facilities	1,273,719	-	-	-	1,273,719	1,299,787	-	-	1,299,787
Home and community based services	4,236,306	-	-	-	4,236,306	4,230,371	-	-	4,230,371
Community residences	4,064,869	-	-	-	4,064,869	4,032,112	-	-	4,032,112
AIDS programs	-	8,541,661	-	-	8,541,661	-	8,519,332	-	8,519,332
Management and administration	1,204,506	594,267	2,861	-	1,801,634	986,762	652,419	-	1,639,181
Fundraising	8,329	-	-	-	8,329	8,009	-	-	8,009
Total Operating Expenses	10,787,729	9,135,928	2,861	-	19,926,518	10,557,041	9,171,751	-	19,728,792
Change in Net Assets from operations	29,768	68,358	47,139	-	145,265	76,884	81,092	-	157,976
Prior year revenue	(321,327)	(78,290)	-	-	(399,617)	(15,974)	41,618	-	25,644
CHANGE IN TOTAL NET ASSETS	(291,559)	(9,932)	47,139	-	(254,352)	60,910	122,710	-	183,620
Net assets - Beginning of Year	4,242,024	1,513,333	-	-	5,755,357	4,181,114	1,390,623	-	5,571,737
NET ASSETS - END OF YEAR	$ 3,950,465	$ 1,503,401	$ 47,139	$ -	$ 5,501,005	$ 4,242,024	$ 1,513,333	$ -	$ 5,755,357

See independent auditors' report.

UNIQUE PEOPLE SERVICES, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unique People Services, Inc.	Unique -AIDS	Consolidating Eliminations	Consolidated 2012 Total
OPERATING REVENUES AND SUPPORT:				
Medicaid income	$ 5,628,029	$ -	$ -	$ 5,628,029
Government grant income	3,544,903	8,811,096	-	12,355,999
Participant fees	1,224,829	476,677	-	1,701,506
Contributions	13,735	-	-	13,735
Special events	69,551	5,000		74,551
Other revenues	136,904	1,688	-	138,592
Total Operating Revenues and Support	10,617,951	9,294,461	-	19,912,412
OPERATING EXPENSES:				
Program services:				
Intermediate care facilities	1,299,787	-	-	1,299,787
Home and community based services	4,230,371	-	-	4,230,371
Community residences	4,032,112	-	-	4,032,112
AIDS programs	-	8,519,332	-	8,519,332
Management and general	986,762	652,419	-	1,639,181
Fundraising	8,009	-	-	8,009
Total Operating Expenses	10,557,041	9,171,751	-	19,728,792
CHANGE IN TOTAL NET ASSETS	60,910	122,710	-	183,620
Net assets - Beginning of Year	4,181,114	1,390,623	-	5,571,737
NET ASSETS - END OF YEAR	$ 4,242,024	$ 1,513,333	$ -	$ 5,755,357

See independent auditors' report.

APPENDIX C

UNAUDITED FINANCIAL INFORMATION OF SERIES 2016 PARTICIPANTS

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APPENDIX C-I

DEVELOPMENTAL DISABILITIES INSTITUTE, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF JULY 31, 2016)

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DEVELOPMENTAL DISABILITIES INSTITUTE, INC.

Developmental Disabilities Institute

Hope has no barriers.

Financial Report for the period ending July 31, 2016

Developmental Disabilities Institute, Inc.
Balance Sheet
July 31, 2016 and December 31, 2015

ASSETS

	July 31, 2016	June 30, 2016	December 31, 2015
Current Assets			
Cash	$ 15,487,593	$ 15,179,742	$ 14,555,699
Pension	672,159	665,015	996,176
Workers Comp (Cash)	1,973,649	2,015,234	2,217,170
Accounts Receivable (less allowance for doubtful accounts of $439,415 and $441,134 respectively)	18,265,785	16,884,941	14,256,227
Grants Receivable	200,918	207,277	831,894
Prepaid Expenses and Other Current Assets	1,339,147	761,376	1,353,699
Total Current Assets	37,939,251	35,713,585	34,210,865
Fixed Assets			
Land, Buildings and Improvements	49,276,072	48,884,338	47,077,593
Leasehold Improvements	1,997,651	1,997,651	1,997,651
Furniture, Fixtures and Equipment	9,963,273	9,946,447	9,780,317
Vehicles	5,224,688	5,199,859	4,822,961
	66,461,684	66,028,295	63,678,522
Less Accumulated Depreciation	(38,626,399)	(38,365,312)	(36,935,264)
Construction-In-Progress	148,615	262,560	1,316,474
Net Fixed Assets	27,983,900	27,925,543	28,059,732
Other Assets			
Due from Affiliates (DDI Foundation)	318,086	256,407	10,517
Debt Issuance Costs, net	747,434	755,218	794,652
Assets Limited as to use	3,903,342	3,770,989	4,696,140
Other Assets	4,968,862	4,782,614	5,501,309
Total Assets	**$ 70,892,013**	**$ 68,421,742**	**$ 67,771,906**

LIABILITIES AND NET ASSETS

	July 31, 2016	June 30, 2016	December 31, 2015
Current Liabilities			
Accounts Payable	$ 1,417,000	$ 890,671	$ 881,765
Accrued Expenses	2,279,398	2,407,096	2,424,515
Interest Payable	113,202	132,522	132,657
Accrued Payroll	4,083,864	3,875,929	3,341,514
Accrued related benefits	849,842	891,608	797,963
Reserve for worker's compensation	1,972,201	2,066,912	2,292,699
Accrued Pension	519,943	439,090	816,729
Deferred Revenue	3,479,627	3,569,660	2,023,502
Current portion of Capital Leases	646,186	646,186	607,378
Current portion Mortgages and Notes Payable	246,684	246,685	257,668
Current portion of Bonds Payable	1,930,000	1,930,000	1,890,000
Current portion of Due to Governmental Agencies	3,088,983	2,932,068	4,508,212
Total Current Liabilities	$ 20,626,930	20,028,427	19,974,602
Long - Term Liabilities			
Deferred Revenue, less current	$ 2,206,696	$ 1,782,874	$ 1,661,842
Capital Lease Obligation, less current	831,284	865,143	764,417
Mortgages and Notes Payable, less current	1,983,544	2,004,956	2,120,551
Bonds Payable, less current	19,621,958	19,621,958	21,311,958
Due to Governmental Agencies, less current portion	1,155,764	1,108,820	1,647,629
Long-Term Liabilities	$ 25,799,246	25,383,751	27,506,397
Total Liabilities	**$ 46,426,176**	**45,412,178**	**47,480,999**
Unrestricted Net Assets	*$ 24,465,837*	*23,009,564*	*20,290,907*
Liabilities and Unrestricted Net Assets	**$ 70,892,013**	**$ 68,421,742**	**$ 67,771,906**

Note: Effective 7/15/15, the irrevocable Letter of Credit issued to AIG relating to the worker's comp policy increased to $2,816,837 from $2,790,837; as of 7/31/2016, there were no draw downs on this Letter of Credit.

Developmental Disabilities Institute, Inc.
Statement of Cash Flows
For the Seven Months Ended July 31, 2016

	July 31, 2016	June 30, 2016
Operating activities		
Excess of support and revenue over expenses	$ 4,174,930	$ 2,696,092
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by operating activities:		
Depreciation & Amortization	1,793,979	1,532,901
Amortization of Debt Issuance Costs	47,218	39,434
Accounts Receivable	(4,009,558)	(2,628,714)
Grants Receivable	630,976	624,617
Due from Affiliate	(307,569)	(245,890)
Prepaid & Other Assets	14,552	592,323
Accounts Payable	535,235	8,906
Accrued Expenses	(145,117)	(17,419)
Worker's Compensation	(320,498)	(225,787)
Interest Payable	(19,455)	(135)
Accrued Payroll	742,350	555,061
Accrued Related Benefits	51,879	95,564
Accrued Pension Payable	(296,786)	(377,639)
Deferred Revenue	2,000,979	1,667,190
Due to Governmental Agencies	(1,911,094)	(2,114,961)
Net cash provided by operating activities	**2,982,021**	**2,201,543**
Investing activities		
Purchases of Property and Equipment - Net of Disposals	(1,718,147)	(1,398,703)
Net cash used in investing activities	(1,718,147)	(1,398,703)
Financing activities		
Assets Limited as to use	792,798	925,151
Principal payments on Capital Lease	105,675	139,534
Principal payments on Mortgages and Notes Payable	(147,991)	(126,579)
Principal payments on Bonds	(1,650,000)	(1,650,000)
Net cash used in financing activities:	**(899,518)**	**(711,894)**
(Decrease) Increase in cash and cash equivalents	**364,356**	**90,946**
Cash and cash equivalents, at December 31, 2015	17,769,045	17,769,045
Cash and cash equivalents, at June 30, 2016	**$ 18,133,401**	**$ 17,859,991**

Developmental Disabilities Institute, Inc.
Statement of Revenue and Functional Expenses
For the Month Ended July 31, 2016
Summary of All Divisions

	Program Services												
	Children's Day Services	Starting Early	Children's Residential	Adult Day Services	Adult ICF Services	Adult IRA Services	Case Mgmt	YAP	OPTI-Healthcare	Other Programs	Total	ADMIN	Grand Total
Revenue													
SED/ EI	1,004,858	977,513	0	0	0	0	0	530,736	0	0	2,513,107	0	2,513,107
Medicaid	16,274	0	1,453,251	1,286,013	319,550	2,137,182	84,937	6,806	0	0	5,304,013	0	5,304,013
Clinic Revenue	0	0	0	0	0	0	0	0	322,763	0	322,763	0	322,763
Grants	5,505	33,609	264	13,352	0	0	0	13,043	9,885	43,885	119,543	159	119,702
Other Income	1,987	17,124	75	62,485	54	190,696	109	7,123	8,289	4,011	291,953	5,294	297,247
Retro/Recon	82,226	11,431	0	0	0	0	0	12,506	0	0	106,163	0	106,163
Total Revenue	1,110,850	1,039,677	1,453,590	1,361,850	319,604	2,327,878	85,046	570,214	340,937	47,896	8,657,542	5,453	8,662,995
Expenses													
Direct Care	439,171	270,210	350,994	348,661	144,990	962,373	0	217,008	0	0	2,733,407	0	2,733,407
Support	0	0	13,099	1,568	2,885	26,576	0	0	0	0	44,128	0	44,128
Clinical	303,956	219,445	101,195	144,110	15,918	123,977	39,946	68,397	191,165	10,645	1,218,754	4,864	1,223,618
Program Admin/Admin	59,119	50,118	38,230	58,933	6,721	44,123	1,998	23,347	38,460	17,886	338,935	267,699	606,634
HCI Salary	0	0	2,613	3,946	848	4,118	0	0	0	0	11,525	0	11,525
Maintenance	36,696	18,777	9,193	29,421	7,908	49,839	957	11,851	4,535	1,013	170,190	7,749	177,939
Transportation	2,641	421	2,195	117,041	1,434	9,944	21	266	102	2	134,067	1,225	135,292
Accrued Vacation	670	511	15	527	196	1,016	23	365	0	0	3,323	74	3,397
Employee Recruitment Salaries	600	0	600	900	600	0	0	0	0	0	2,700	0	2,700
Workmen's Comp Reimbursement	(17)	0	0	(9,437)	(744)	(9,614)	0	0	0	0	(19,812)	(13)	(19,825)
Total Salaries Expense	842,836	559,482	518,134	695,670	180,756	1,212,352	42,945	321,234	234,262	29,546	4,637,217	281,598	4,918,815
Fringe Benefits & OTPS													
Employee Benefits	267,447	203,325	165,206	257,355	55,675	422,168	17,215	97,862	56,055	8,882	1,551,190	95,377	1,646,567
Fees for Service Professionals	5,167	2,082	2,200	880	7,255	11,219	0	163	49,626	0	78,592	13,141	91,733
Telephone & Communications	5,795	3,951	3,958	15,300	1,135	10,513	406	4,281	3,423	103	48,865	2,655	51,520
Travel	1,393	1,000	1,331	3,254	559	4,148	2,041	1,018	386	364	15,494	993	16,487
Food & Household Supplies	4,690	896	37,228	7,115	12,839	68,297	1	1,023	759	0	132,848	350	133,198
Program & Recreation Expense	19,055	797	10,658	7,106	2,083	9,690	0	3,756	82	0	53,227	0	53,227
Supplies & Office Expense	6,190	5,292	3,884	6,807	380	4,351	1,596	4,047	8,456	223	41,226	45,982	87,208
Furniture & Equipment	1,982	1,172	602	929	40	491	5	1,128	1,377	2,835	10,561	186	10,747
Medical Expense	613	1,205	2,028	508	1,418	6,986	0	0	9,100	0	21,858	3	21,861
Staff Expenses	7,212	849	2,706	3,516	610	5,845	2	1,386	151	0	22,277	4,347	26,624
Vehicle Expense	1,146	159	3,386	48,344	3,410	20,358	8	100	39	1	76,951	139	77,090
Insurance Expense	10,955	6,617	9,410	31,208	4,397	29,045	482	3,364	8,695	12	104,185	3,586	107,771
Meetings & Conferences	1,040	66	136	532	108	589	0	0	0	0	2,471	1,001	3,472
Legal & Accounting	0	0	0	0	15	953	0	0	1,035	0	2,003	14,090	16,093
Admin Fees	182	161	634	951	186	1,366	44	54	36	0	3,614	114	3,728
Fuel & Utilities	13,927	12,269	11,954	20,077	4,632	28,248	326	7,833	5,304	118	104,688	3,502	108,190
Repairs & Maintenance	21,038	7,482	9,578	28,667	3,760	26,967	104	6,896	8,212	37	112,741	2,115	114,856
Medicaid Assessment tax	0	0	74,419	0	16,597	0	0	0	0	0	91,016	0	91,016
Total Fringe Benefits & OTPS	367,832	247,323	339,318	432,549	115,099	651,234	22,230	132,911	152,736	12,575	2,473,807	187,581	2,661,388
Property													
Rent	40	22,006	0	70,406	0	1,928	0	18,112	20,620	0	133,112	1,594	134,706
Property Insurance	1,663	1,355	1,166	1,025	177	2,712	37	899	244	14	9,292	373	9,665
Property Interest	13,127	2,692	16,190	10,503	758	25,583	1,221	982	9,633	9	80,698	4,011	84,709
Depreciation & Capital Lease Amort.	24,376	9,231	38,122	50,708	7,729	88,934	559	6,320	15,601	40	241,620	27,238	268,858
Total Property	39,206	35,284	55,478	132,642	8,664	119,157	1,817	26,313	46,098	63	464,722	33,216	497,938
Total functional expenses	1,249,874	842,089	912,930	1,260,861	304,519	1,982,743	66,992	480,458	433,096	42,184	7,575,746	502,395	8,078,141
Allocation of Central Admin exp	85,534	57,001	60,579	79,709	20,902	131,663	4,605	32,085	27,341	2,976	502,395	(502,395)	0
Total functional exp after Allocations	1,335,408	899,090	973,509	1,340,570	325,421	2,114,406	71,597	512,543	460,437	45,160	8,078,141	0	8,078,141
Operating surplus / deficit	(224,558)	140,587	480,081	21,280	(5,817)	213,472	13,449	57,671	(119,500)	2,736	579,401	5,453	584,854
Net change in activity	(224,558)	140,587	480,081	21,280	(5,817)	213,472	13,449	57,671	(119,500)	2,736	579,401	5,453	584,854
Prior Period Adjustment	0	0	421,158	448,767	0	0	0	1,479	0	0	871,404	0	871,404
Total net surplus/deficit	(224,558)	140,587	901,239	470,047	(5,817)	213,472	13,449	59,150	(119,500)	2,736	1,450,805	5,453	1,456,258
Fringe %	31.73%	36.34%	31.88%	36.99%	30.8%	34.82%	40.09%	30.46%	23.93%	30.06%	33.45%	33.87%	33.47%
Admin Allocation	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%

Developmental Disabilities Institute, Inc.
Statement of Revenue and Functional Expenses
For the Seven Months Ended July 31, 2016
Summary of All Divisions

	Program Services												
	Children's Day Services	Starting Early	Children's Residential	Adult Day Services	Adult ICF Services	Adult IRA Services	Case Mgmt	YAP	OPTI-Healthcare	Other Programs	Total	ADMIN	Grand Total
Revenue													
SED/ EI	8,458,124	6,486,167	0	0	0	0	0	3,589,509	0	0	18,533,820	0	18,533,820
Medicaid	146,645	0	7,365,136	9,372,173	2,237,162	14,450,250	598,619	47,242	0	0	34,217,227	0	34,217,227
Clinic Revenue	0	0	0	0	0	0	0	0	2,645,677	0	2,645,677	0	2,645,677
Grants	90,456	357,006	2,023	73,688	0	0	434	84,581	72,416	216,388	896,992	6,079	903,071
Other Income	40,190	196,275	353	543,408	379	1,346,487	326	68,152	108,226	28,433	2,332,229	58,301	2,390,530
Retro/Recon	338,700	88,172	0	0	0	0	0	75,500	0	0	502,372	0	502,372
Total Revenue	9,074,115	7,127,640	7,367,512	9,989,269	2,237,541	15,796,737	599,379	3,864,984	2,826,319	244,821	59,128,317	64,380	59,192,697
Expenses													
Direct Care	3,400,101	2,081,454	2,374,464	2,497,417	960,915	6,431,954	0	1,539,258	0	63	19,285,626	593	19,286,219
Support	0	0	81,113	12,559	27,252	196,731	0	0	0	0	317,655	0	317,655
Clinical	2,099,929	1,668,787	737,622	983,252	116,039	857,460	274,243	420,717	1,389,038	41,647	8,588,734	34,338	8,623,072
Program Admin/Admin	398,441	360,323	221,407	402,328	47,568	295,571	14,159	153,821	294,045	94,569	2,282,232	1,862,891	4,145,123
HCI Salary			25,632	50,628	8,319	38,834					123,413		123,413
Maintenance	240,404	129,081	68,478	207,431	53,976	339,654	6,462	80,511	31,121	7,363	1,164,481	52,979	1,217,460
Transportation	21,095	2,919	14,373	870,606	10,346	68,363	146	1,819	696	9	990,372	10,221	1,000,593
Accrued Vacation	4,693	3,575	103	3,691	1,375	7,113	162	2,553	2		23,267	518	23,785
Employee Recruitment Salaries	7,991	4,267	2,431	9,582	2,640	8,055	3	9,340	615		44,924	(526)	44,398
Workmen's Comp Reimbursement	(10,622)	(683)	(6,158)	(36,305)	(1,569)	(18,617)	(33)	(814)	(157)	(2)	(74,960)	(388)	(75,348)
Total Salaries Expense	6,162,032	4,249,723	3,519,465	5,001,189	1,226,861	8,225,118	295,142	2,207,205	1,715,360	143,649	32,745,744	1,960,626	34,706,370
Fringe Benefits & OTPS													
Employee Benefits	1,893,503	1,538,709	1,094,448	1,753,367	413,815	2,819,093	112,110	699,238	421,937	45,755	10,791,975	589,028	11,381,003
Fees for Service Professionals	18,092	42,094	53,254	6,642	37,128	111,428	0	1,170	265,091	0	534,899	79,775	614,674
Telephone & Communications	53,793	36,613	29,649	128,434	8,180	71,844	3,380	39,720	31,226	503	403,342	28,476	431,818
Travel	9,523	8,546	5,949	20,256	3,699	25,602	13,748	4,534	2,102	578	94,537	10,916	105,453
Food & Household Supplies	26,413	11,597	289,868	44,456	91,072	562,431	491	7,741	6,759	3	1,040,831	4,081	1,044,912
Program & Recreation Expense	100,521	27,116	83,658	85,505	8,354	54,284	0	30,968	762	479	391,647	64	391,711
Supplies & Office Expense	49,440	38,880	26,735	50,398	3,744	44,636	7,647	23,107	63,146	6,199	313,932	304,118	618,050
Miscellanous Expense	0	0	0	1,168	0	0	0	0	0	0	1,168	(41)	1,127
Furniture & Equipment	5,919	3,110	5,758	6,311	2,740	4,322	1,489	1,889	5,302	11,064	47,904	6,316	54,220
Medical Expense	5,301	3,030	19,014	5,252	9,866	52,441	256	4,817	68,006	1	167,984	73	168,057
Staff Expenses	56,217	10,265	46,195	47,319	9,988	65,989	71	23,105	933	264	260,346	34,073	294,419
Vehicle Expense	9,231	850	19,535	289,981	19,644	133,481	42	543	203	2	473,512	860	474,372
Insurance Expense	72,088	47,194	64,192	212,487	30,545	198,580	3,420	25,099	44,572	80	698,257	25,142	723,399
Meetings & Conferences	24,730	378	5,752	6,322	958	6,040	70	1,269	392	1,309	47,220	5,628	52,848
Legal & Accounting	0	0	(3,243)	0	15	5,023	0	0	21,426	0	23,221	126,233	149,454
Admin Fees	4,192	3,360	6,142	9,283	1,879	13,141	396	2,061	776	1	41,231	1,975	43,206
Fuel & Utilities	77,773	63,518	64,472	96,240	22,729	143,739	1,705	40,651	30,852	201	541,880	18,675	560,555
Repairs & Maintenance	124,893	38,640	62,675	163,890	29,805	172,910	2,009	30,953	52,077	1,076	678,928	17,417	696,345
Medicaid Assessment tax	0	0	382,662	0	116,581	0	0	0	0	0	499,243	0	499,243
Bad Debt Expense	7,683	0	0	0	0	0	0	0	0	0	7,683	0	7,683
Total Fringe Benefits & OTPS	2,539,312	1,873,900	2,256,715	2,927,311	810,742	4,484,984	146,834	936,865	1,015,562	67,515	17,059,740	1,252,809	18,312,549
Property													
Rent	299	153,637	11	487,826	21	8,627	0	127,302	137,444	0	915,167	11,179	926,346
Property Insurance	11,640	9,176	13,040	7,194	1,211	18,310	277	6,203	1,781	34	68,866	2,866	71,732
Property Interest	97,418	20,969	119,262	79,691	5,764	184,121	9,547	8,007	75,091	22	599,892	31,702	631,594
Depreciation & Capital Lease Amort.	173,550	66,804	264,093	326,578	54,047	599,277	3,979	46,332	113,565	153	1,648,378	192,819	1,841,197
Total Property	282,907	250,586	396,406	901,289	61,043	810,335	13,803	187,844	327,881	209	3,232,303	238,566	3,470,869
Total functional expenses	8,984,251	6,374,209	6,172,586	8,829,789	2,098,646	13,520,437	455,779	3,331,914	3,058,803	211,373	53,037,787	3,452,001	56,489,788
Allocation of Central Admin exp	603,087	424,426	400,345	549,522	141,226	880,933	30,633	217,914	189,279	14,636	3,452,001	(3,452,001)	0
Total functional exp after Allocations	9,587,338	6,798,635	6,572,931	9,379,311	2,239,872	14,401,370	486,412	3,549,828	3,248,082	226,009	56,489,788	0	56,489,788
Operating surplus / deficit	(513,223)	329,005	794,581	609,958	(2,331)	1,395,367	112,967	315,156	(421,763)	18,812	2,638,529	64,380	2,702,909
Net change in activity	(513,223)	329,005	794,581	609,958	(2,331)	1,395,367	112,967	315,156	(421,763)	18,812	2,638,529	64,380	2,702,909
Prior Period Adjustment	3,662	996	413,114	437,417	(2,285)	115,247	0	356	503,514	0	1,472,021	0	1,472,021
Total net surplus/deficit	(509,561)	330,001	1,207,695	1,047,375	(4,616)	1,510,614	112,967	315,512	81,751	18,812	4,110,550	64,380	4,174,930
Fringe %	30.73%	36.21%	31.1%	35.06%	33.73%	34.27%	37.99%	31.68%	24.6%	31.85%	32.96%	30.04%	32.79%
Admin Allocation	6.93%	6.93%	6.93%	6.93%	6.93%	6.93%	6.93%	6.93%	6.93%	6.93%	6.93%	6.93%	6.93%

Developmental Disabilities Institute
Summary of All Divisions
For the Seven Months Ended July 31, 2016

	July				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Revenue								
SED/ EI	2,513,107	2,623,693	(110,586)	-4.21%	18,533,820	19,390,665	(856,845)	-4.42%
Medicaid	5,304,013	4,831,434	472,579	9.78%	34,217,227	33,865,778	351,449	1.04%
Clinic Revenue	322,763	0	322,763	0.00%	2,645,677	2,518,068	127,609	5.07%
Grants	119,702	125,973	(6,271)	-4.98%	903,071	1,107,162	(204,091)	-18.43%
Other Income	297,247	339,144	(41,897)	-12.35%	2,390,530	2,444,305	(53,775)	-2.20%
Retro/Recon	106,163	0	106,163	0.00%	502,372	0	502,372	0.00%
Total Revenue	8,662,995	7,920,244	742,751	9.38%	59,192,697	59,325,978	(133,281)	-0.22%
Expenses								
Direct Care	2,733,407	2,866,716	(133,309)	-4.65%	19,286,219	19,520,529	(234,310)	-1.20%
Support	44,128	60,829	(16,701)	-27.46%	317,655	406,833	(89,178)	-21.92%
Clinical	1,223,618	1,051,941	171,677	16.32%	8,623,072	8,555,659	67,413	0.79%
Program Admin/Admin	606,634	595,631	11,003	1.85%	4,145,123	4,405,681	(260,558)	-5.91%
HCI Salary	11,525	11,677	(152)	-1.30%	123,413	114,859	8,554	7.45%
Maintenance	177,939	178,207	(268)	-0.15%	1,217,460	1,257,716	(40,256)	-3.20%
Transportation	135,292	141,721	(6,429)	-4.54%	1,000,593	977,043	23,550	2.41%
Accrued Vacation	3,397	3,398	(1)	0.00%	23,785	23,785	0	0.00%
Employee Recruitment Salaries	2,700	6,029	(3,329)	-55.22%	44,398	44,651	(253)	-0.56%
Workmen's Comp Reimbursement	(19,825)	0	(19,825)	0.00%	(75,348)	0	(75,348)	0.00%
Total Salaries Expense	4,918,815	4,916,149	2,666	0.05%	34,706,370	35,306,756	(600,386)	-1.70%
Fringe Benefits & OTPS								
Employee Benefits	1,646,567	1,737,503	(90,936)	-5.23%	11,381,003	11,843,918	(462,915)	-3.91%
Fees for Service Professionals	91,733	32,347	59,386	183.59%	614,674	394,324	220,350	55.88%
Contingent Spending - Direct Care	0	31,617	(31,617)	-100.00%	0	421,319	(421,319)	-100.00%
Telephone & Communications	51,520	45,976	5,544	12.06%	431,818	336,279	95,539	28.41%
Travel	16,487	9,813	6,674	68.00%	105,453	71,761	33,692	46.95%
Food & Household Supplies	133,198	162,624	(29,426)	-18.10%	1,044,912	1,134,880	(89,968)	-7.93%
Program & Recreation Expense	53,227	53,459	(232)	-0.43%	391,711	374,261	17,450	4.66%
Supplies & Office Expense	87,208	90,893	(3,685)	-4.06%	618,050	633,968	(15,918)	-2.51%
Miscellanous Expense	0	0	0	0.00%	1,127	0	1,127	0.00%
Furniture & Equipment	10,747	6,982	3,765	53.92%	54,220	89,112	(34,892)	-39.16%
Medical Expense	21,861	13,313	8,548	64.20%	168,057	146,521	21,536	14.70%
Staff Expenses	26,624	39,610	(12,986)	-32.78%	294,419	278,924	15,495	5.55%
Vehicle Expense	77,090	87,101	(10,011)	-11.49%	474,372	575,208	(100,836)	-17.53%
Insurance Expense	107,771	100,241	7,530	7.51%	723,399	722,983	416	0.06%
Meetings & Conferences	3,472	6,016	(2,544)	-42.27%	52,848	50,289	2,559	5.08%
Legal & Accounting	16,093	20,504	(4,411)	-21.51%	149,454	144,997	4,457	3.07%
Admin Fees	3,728	4,138	(410)	-9.91%	43,206	44,022	(816)	-1.85%
Utilities	108,190	91,678	16,512	18.01%	560,555	656,831	(96,276)	-14.66%
Repairs & Maintenance	114,856	91,306	23,550	25.79%	696,345	667,256	29,089	4.36%
Medicaid Assessment tax	91,016	67,989	23,027	33.87%	499,243	475,875	23,368	4.91%
Bad Debt Expense	0	0	0	0.00%	7,683	0	7,683	0.00%
Total Fringe Benefits & OTPS	2,661,388	2,693,110	(31,722)	-1.18%	18,312,549	19,062,728	(750,179)	-3.94%
Property								
Rent	134,706	133,200	1,506	1.13%	926,346	929,057	(2,711)	-0.29%
Property Insurance	9,665	9,364	301	3.20%	71,732	64,263	7,469	11.62%
Property Interest	84,709	98,456	(13,747)	-13.96%	631,594	693,989	(62,395)	-8.99%
Depreciation & Capital Lease Amort.	268,858	275,212	(6,354)	-2.31%	1,841,197	1,902,741	(61,544)	-3.23%
Total Property	497,938	516,232	(18,294)	-3.54%	3,470,869	3,590,050	(119,181)	-3.32%
Total functional expenses	8,078,141	8,125,491	(47,350)	-0.58%	56,489,788	57,959,534	(1,469,746)	-2.54%
Allocation of Central Admin exp								
Total functional exp after Allocations	8,078,141	8,125,491	(47,350)	-0.58%	56,489,788	57,959,534	(1,469,746)	-2.54%
Operating surplus / deficit	584,854	(205,247)	790,101	-384.96%	2,702,909	1,366,444	1,336,465	97.81%
Net change in activity	584,854	(205,247)	790,101	-384.96%	2,702,909	1,366,444	1,336,465	97.81%
Prior Period Adjustment	871,404	0	871,404	0.00%	1,472,021	0	1,472,021	0.00%
Total net surplus/deficit	1,456,258	(205,247)	1,661,505	-809.52%	4,174,930	1,366,444	2,808,486	205.53%

Developmental Disabilities Institute
Children's Day Services
For the Seven Months Ended July 31, 2016

2016 bud var dep

	July				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Revenue								
SED/ EI	$1,004,858	$1,063,295	($58,437)	-5.50%	$8,458,124	$8,831,717	($373,593)	-4.23%
Medicaid	16,274	22,202	(5,928)	-26.70%	146,645	153,709	(7,064)	-4.60%
Grants	5,505	16,771	(11,266)	-67.18%	90,456	196,653	(106,197)	-54.00%
Other Income	1,987	6,984	(4,997)	-71.55%	40,190	66,261	(26,071)	-39.35%
Retro/Recon	82,226	0	82,226	0.00%	338,700	0	338,700	0.00%
Total Revenue	1,110,850	1,109,252	1,598	0.14%	9,074,115	9,248,340	(174,225)	-1.88%
Expenses								
Salary Expenses								
Direct Care	439,171	462,644	(23,473)	-5.07%	3,400,101	3,178,815	221,286	6.96%
Clinical	303,956	318,699	(14,743)	-4.63%	2,099,929	2,189,773	(89,844)	-4.10%
Program Admin/Admin	59,119	53,802	5,317	9.88%	398,441	369,742	28,699	7.76%
Maintenance	36,696	33,539	3,157	9.41%	240,404	234,776	5,628	2.40%
Transportation	2,641	2,791	(150)	-5.37%	21,095	19,535	1,560	7.99%
Accrued Vacation	670	670	0	0.00%	4,693	4,693	0	0.00%
Employee Recruitment Salaries	600	752	(152)	-20.21%	7,991	5,264	2,727	51.80%
Workmen's Comp Reimbursement	(17)	0	(17)	0.00%	(10,622)	0	(10,622)	0.00%
Total Salaries Expense	842,836	872,897	(30,061)	-3.44%	6,162,032	6,002,598	159,434	2.66%
Fringe Benefits & OTPS								
Employee Benefits	267,447	289,631	(22,184)	-7.66%	1,893,503	1,912,569	(19,066)	-1.00%
Fees for Service Professionals	5,167	334	4,833	1,447.01%	18,092	2,334	15,758	675.15%
Contingent Spending -Direct Care	0	13,001	(13,001)	-100.00%	0	291,007	(291,007)	-100.00%
Telephone & Communications	5,795	5,008	787	15.71%	53,793	35,057	18,736	53.44%
Travel	1,393	83	1,310	1,578.31%	9,523	583	8,940	1,533.45%
Food & Household Supplies	4,690	3,400	1,290	37.94%	26,413	23,800	2,613	10.98%
Program & Recreation Expense	19,055	8,866	10,189	114.92%	100,521	62,066	38,455	61.96%
Supplies & Office Expense	6,190	7,568	(1,378)	-18.21%	49,440	52,983	(3,543)	-6.69%
Furniture & Equipment	1,982	1,250	732	58.56%	5,919	8,750	(2,831)	-32.35%
Medical Expense	613	917	(304)	-33.15%	5,301	6,417	(1,116)	-17.39%
Staff Expenses	7,212	7,246	(34)	-0.47%	56,217	50,721	5,496	10.84%
Vehicle Expense	1,146	2,420	(1,274)	-52.64%	9,231	16,528	(7,297)	-44.15%
Insurance Expense	10,955	10,689	266	2.49%	72,088	73,444	(1,356)	-1.85%
Meetings & Conferences	1,040	757	283	37.38%	24,730	5,297	19,433	366.87%
Admin Fees	182	195	(13)	-6.67%	4,192	4,075	117	2.87%
Fuel & Utilities	13,927	12,267	1,660	13.53%	77,773	85,873	(8,100)	-9.43%
Repairs & Maintenance	21,038	13,498	7,540	55.86%	124,893	94,490	30,403	32.18%
Bad Debt Expense	0	0	0	0.00%	7,683	0	7,683	0.00%
Total Fringe Benefits and OTPS	367,832	377,130	(9,298)	-2.47%	2,539,312	2,725,994	(186,682)	-6.85%
Property								
Rent	40	41	(1)	-2.44%	299	286	13	4.55%
Property Insurance	1,663	1,399	264	18.87%	11,640	9,611	2,029	21.11%
Property Interest	13,127	15,634	(2,507)	-16.04%	97,418	108,042	(10,624)	-9.83%
Depreciation & Capital Lease Amort.	24,376	27,181	(2,805)	-10.32%	173,550	188,270	(14,720)	-7.82%
Total Property	39,206	44,255	(5,049)	-11.41%	282,907	306,209	(23,302)	-7.61%
Total functional expenses	1,249,874	1,294,282	(44,408)	-3.43%	8,984,251	9,034,801	(50,550)	-0.56%
Allocation of Central Admin exp	85,534	93,090	(7,556)	-8.12%	603,087	613,014	(9,927)	-1.62%
Total functional exp after Allocations	1,335,408	1,387,372	(51,964)	-3.75%	9,587,338	9,647,815	(60,477)	-0.63%
Operating surplus / deficit	(224,558)	(278,120)	53,562	-19.26%	(513,223)	(399,475)	(113,748)	28.47%
Net change in activity	(224,558)	(278,120)	53,562	-19.26%	(513,223)	(399,475)	(113,748)	28.47%
Prior Period Adjustment	0	0	0	0.00%	3,662	0	3,662	0.00%
Total net surplus/deficit	(224,558)	(278,120)	53,562	-19.26%	(509,561)	(399,475)	(110,086)	27.56%

	July				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Revenue								
SED/ EI	$977,513	$1,048,770	($71,257)	-6.79%	$6,486,187	$6,929,763	($443,576)	-6.40%
Grants	33,609	33,445	164	0.49%	357,006	288,869	68,137	23.59%
Other Income	17,124	8,104	9,020	111.30%	196,275	191,559	4,716	2.46%
Retro/Recon	11,431	0	11,431	0.00%	88,172	0	88,172	0.00%
Total Revenue	1,039,677	1,090,319	(50,642)	-4.64%	7,127,640	7,410,191	(282,551)	-3.81%
Expenses								
Salary Expenses								
Direct Care	270,210	319,778	(49,568)	-15.50%	2,081,454	2,197,185	(115,731)	-5.27%
Clinical	219,445	227,614	(8,169)	-3.59%	1,668,787	1,563,932	104,855	6.70%
Program Admin/Admin	50,118	56,068	(5,950)	-10.61%	360,323	385,242	(24,919)	-6.47%
Maintenance	18,777	18,252	525	2.88%	129,081	127,762	1,319	1.03%
Transportation	421	382	39	10.21%	2,919	2,671	248	9.28%
Accrued Vacation	511	511	0	0.00%	3,575	3,575	0	0.00%
Employee Recruitment Salaries	0	762	(762)	-100.00%	4,267	5,333	(1,066)	-19.99%
Workmen's Comp Reimbursement	0	0	0	0.00%	(683)	0	(683)	0.00%
Total Salaries Expense	559,482	623,367	(63,885)	-10.25%	4,249,723	4,285,700	(35,977)	-0.84%
Fringe Benefits & OTPS								
Employee Benefits	203,325	236,460	(33,135)	-14.01%	1,538,709	1,570,558	(31,849)	-2.03%
Fees for Service Professionals	2,082	2,500	(418)	-16.72%	42,094	17,500	24,594	140.54%
Contingent Spending -Direct Care	0	11,996	(11,996)	-100.00%	0	83,972	(83,972)	-100.00%
Telephone & Communications	3,951	3,778	173	4.58%	36,613	26,443	10,170	38.46%
Travel	1,000	542	458	84.50%	8,546	3,792	4,754	125.37%
Food & Household Supplies	896	2,917	(2,021)	-69.28%	11,597	20,417	(8,820)	-43.20%
Program & Recreation Expense	797	7,333	(6,536)	-89.13%	27,116	51,333	(24,217)	-47.18%
Supplies & Office Expense	5,292	6,404	(1,112)	-17.36%	38,880	44,826	(5,946)	-13.26%
Furniture & Equipment	1,172	900	272	30.22%	3,110	6,300	(3,190)	-50.63%
Medical Expense	1,205	750	455	60.67%	3,030	5,250	(2,220)	-42.29%
Staff Expenses	849	1,891	(1,042)	-55.10%	10,265	13,241	(2,976)	-22.48%
Vehicle Expense	159	804	(645)	-80.22%	850	5,631	(4,781)	-84.90%
Insurance Expense	6,617	7,485	(868)	-11.60%	47,194	51,431	(4,237)	-8.24%
Meetings & Conferences	66	434	(368)	-84.79%	378	3,036	(2,658)	-87.55%
Admin Fees	161	205	(44)	-21.46%	3,360	2,790	570	20.43%
Fuel & Utilities	12,269	10,042	2,227	22.18%	63,518	70,288	(6,770)	-9.63%
Repairs & Maintenance	7,482	9,259	(1,777)	-19.19%	38,640	64,817	(26,177)	-40.39%
Total Fringe Benefits and OTPS	247,323	303,700	(56,377)	-18.56%	1,873,900	2,041,625	(167,725)	-8.22%
Property								
Rent	22,006	22,428	(422)	-1.88%	153,637	156,992	(3,355)	-2.14%
Property Insurance	1,355	1,155	200	17.32%	9,176	7,937	1,239	15.61%
Property Interest	2,692	3,075	(383)	-12.46%	20,969	21,529	(560)	-2.60%
Depreciation & Capital Lease Amort.	9,231	10,491	(1,260)	-12.01%	66,804	73,207	(6,403)	-8.75%
Total Property	35,284	37,149	(1,865)	-5.02%	250,586	259,665	(9,079)	-3.50%
Total functional expenses	842,089	964,216	(122,127)	-12.67%	6,374,209	6,586,990	(212,781)	-3.23%
Allocation of Central Admin exp	57,001	69,039	(12,038)	-17.44%	424,426	444,372	(19,946)	-4.49%
Total functional exp after Allocations	899,090	1,033,255	(134,165)	-12.98%	6,798,635	7,031,362	(232,727)	-3.31%
Operating surplus / deficit	140,587	57,064	83,523	146.37%	329,005	378,829	(49,824)	-13.15%
Net change in activity	140,587	57,064	83,523	146.37%	329,005	378,829	(49,824)	-13.15%
Prior Period Adjustment	0	0	0	0.00%	996	0	996	0.00%
Total net surplus/deficit	140,587	57,064	83,523	146.37%	330,001	378,829	(48,828)	-12.89%

Developmental Disabilities Institute
Children's Residential Services
For the Seven Months Ended July 31, 2016

	July				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Revenue								
Medicaid	$1,453,251	$986,752	$466,499	47.28%	$7,365,136	$6,901,173	$463,963	6.72%
Grants	264	0	264	0.00%	2,023	0	2,023	0.00%
Other Income	75	112	(37)	-33.04%	353	780	(427)	-54.74%
Total Revenue	1,453,590	986,864	466,726	47.29%	7,367,512	6,901,953	465,559	6.75%
Expenses								
Salary Expenses								
Direct Care	350,994	349,214	1,780	0.51%	2,374,464	2,401,684	(27,220)	-1.13%
Support	13,099	12,820	279	2.18%	81,113	88,142	(7,029)	-7.97%
Clinical	101,195	103,879	(2,684)	-2.58%	737,622	718,109	19,513	2.72%
Program Admin/Admin	38,230	31,673	6,557	20.70%	221,407	220,589	818	0.37%
HCI Salary	2,613	2,579	34	1.32%	25,632	25,637	(5)	-0.02%
Maintenance	9,193	9,411	(218)	-2.32%	68,478	65,877	2,601	3.95%
Transportation	2,195	2,045	150	7.33%	14,373	14,314	59	0.41%
Accrued Vacation	15	15	0	0.00%	103	103	0	0.00%
Employee Recruitment Salaries	600	1,181	(581)	-49.20%	2,431	8,269	(5,838)	-70.60%
Workmen's Comp Reimbursement	0	0	0	0.00%	(6,158)	0	(6,158)	0.00%
Total Salaries Expense	518,134	512,817	5,317	1.04%	3,519,465	3,542,724	(23,259)	-0.66%
Fringe Benefits & OTPS								
Employee Benefits	165,206	171,171	(5,965)	-3.48%	1,094,448	1,131,874	(37,426)	-3.31%
Fees for Service Professionals	2,200	2,448	(248)	-10.13%	53,254	17,135	36,119	210.79%
Telephone & Communications	3,958	3,719	239	6.43%	29,649	26,030	3,619	13.90%
Travel	1,331	467	864	185.01%	5,949	3,267	2,682	82.09%
Food & Household Supplies	37,228	42,458	(5,230)	-12.32%	289,868	297,208	(7,340)	-2.47%
Program & Recreation Expense	10,658	11,417	(759)	-6.65%	83,658	79,917	3,741	4.68%
Supplies & Office Expense	3,884	3,937	(53)	-1.35%	26,735	27,512	(777)	-2.82%
Furniture & Equipment	602	833	(231)	-27.73%	5,758	5,833	(75)	-1.29%
Medical Expense	2,028	3,288	(1,260)	-38.32%	19,014	23,015	(4,001)	-17.38%
Staff Expenses	2,706	3,633	(927)	-25.52%	46,195	25,433	20,762	81.63%
Vehicle Expense	3,386	4,102	(716)	-17.45%	19,535	27,127	(7,592)	-27.99%
Insurance Expense	9,410	9,205	205	2.23%	64,192	63,244	948	1.50%
Meetings & Conferences	136	667	(531)	-79.61%	5,752	4,667	1,085	23.25%
Legal & Accounting	0	0	0	0.00%	(3,243)	0	(3,243)	0.00%
Admin Fees	634	764	(130)	-17.02%	6,142	6,472	(330)	-5.10%
Fuel & Utilities	11,954	10,816	1,138	10.52%	64,472	72,127	(7,655)	-10.61%
Repairs & Maintenance	9,578	8,363	1,215	14.53%	62,675	58,548	4,127	7.05%
Medicaid Assessment tax	74,419	51,432	22,987	44.69%	382,662	359,728	22,934	6.38%
Total Fringe Benefits and OTPS	339,318	328,720	10,598	3.22%	2,256,715	2,229,137	27,578	1.24%
Property								
Rent	0	2	(2)	-100.00%	11	12	(1)	-8.33%
Property Insurance	1,166	2,107	(941)	-44.66%	13,040	14,477	(1,437)	-9.93%
Property Interest	16,190	16,401	(211)	-1.29%	119,262	120,731	(1,469)	-1.22%
Depreciation & Capital Lease Amort.	38,122	38,713	(591)	-1.53%	264,093	269,456	(5,363)	-1.99%
Total Property	55,478	57,223	(1,745)	-3.05%	396,406	404,676	(8,270)	-2.04%
Total functional expenses	912,930	898,760	14,170	1.58%	6,172,586	6,176,537	(3,951)	-0.06%
Allocation of Central Admin exp	60,579	62,670	(2,091)	-3.34%	400,345	405,361	(5,016)	-1.24%
Total functional exp after Allocations	973,509	961,430	12,079	1.26%	6,572,931	6,581,898	(8,967)	-0.14%
Operating surplus / deficit	480,081	25,434	454,647	1,787.56%	794,581	320,055	474,526	148.26%
Net change in activity	480,081	25,434	454,647	1,787.56%	794,581	320,055	474,526	148.26%
Prior Period Adjustment	421,158	0	421,158	0.00%	413,114	0	413,114	0.00%
Total net surplus/deficit	901,239	25,434	875,805	3,443.44%	1,207,695	320,055	887,640	277.34%

Developmental Disabilities Institute
Adult Day Services
For the Seven Months Ended July 31, 2016

	July				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Revenue								
Medicaid	$1,286,013	$1,304,258	($18,245)	-1.40%	$9,372,173	$9,296,917	$75,256	0.81%
Grants	13,352	11,835	1,517	12.82%	73,688	75,611	(1,923)	-2.54%
Other Income	62,485	62,892	(407)	-0.65%	543,408	487,958	55,450	11.36%
Total Revenue	1,361,850	1,378,985	(17,135)	-1.24%	9,989,269	9,860,486	128,783	1.31%
Expenses								
Salary Expenses								
Direct Care	348,661	370,148	(21,487)	-5.80%	2,497,417	2,543,275	(45,858)	-1.80%
Support	1,568	1,515	53	3.50%	12,559	10,410	2,149	20.64%
Clinical	144,110	138,591	5,519	3.98%	983,252	952,257	30,995	3.25%
Program Admin/Admin	58,933	72,641	(13,708)	-18.87%	402,328	499,111	(96,783)	-19.39%
HCI Salary	3,946	4,211	(265)	-6.29%	50,628	41,157	9,471	23.01%
Maintenance	29,421	29,914	(493)	-1.65%	207,431	205,537	1,894	0.92%
Transportation	117,041	122,096	(5,055)	-4.14%	870,606	838,914	31,692	3.78%
Accrued Vacation	527	527	0	0.00%	3,691	3,691	0	0.00%
Employee Recruitment Salaries	900	1,087	(187)	-17.20%	9,582	7,611	1,971	25.90%
Workmen's Comp Reimbursement	(9,437)	0	(9,437)	0.00%	(36,305)	0	(36,305)	0.00%
Total Salaries Expense	695,670	740,730	(45,060)	-6.08%	5,001,189	5,101,963	(100,774)	-1.98%
Fringe Benefits & OTPS								
Employee Benefits	257,355	278,348	(20,993)	-7.54%	1,753,367	1,833,709	(80,342)	-4.38%
Fees for Service Professionals	880	3,899	(3,019)	-77.43%	6,642	27,286	(20,644)	-75.66%
Telephone & Communications	15,300	12,589	2,711	21.53%	128,434	86,537	41,897	48.42%
Travel	3,254	2,031	1,223	60.22%	20,256	13,970	6,286	45.00%
Food & Household Supplies	7,115	7,213	(98)	-1.36%	44,456	49,633	(5,177)	-10.43%
Program & Recreation Expense	7,106	10,600	(3,494)	-32.96%	85,505	72,942	12,563	17.22%
Supplies & Office Expense	6,807	7,376	(569)	-7.71%	50,398	50,929	(531)	-1.04%
Miscellanous Expense	0	0	0	0.00%	1,168	0	1,168	0.00%
Furniture & Equipment	929	1,439	(510)	-35.44%	6,311	9,919	(3,608)	-36.37%
Medical Expense	508	1,054	(546)	-51.80%	5,252	7,257	(2,005)	-27.63%
Staff Expenses	3,516	6,899	(3,383)	-49.04%	47,319	47,978	(659)	-1.37%
Vehicle Expense	48,344	49,159	(815)	-1.66%	289,981	324,703	(34,722)	-10.69%
Insurance Expense	31,208	29,966	1,242	4.14%	212,487	205,897	6,590	3.20%
Meetings & Conferences	532	1,350	(818)	-60.59%	6,322	9,372	(3,050)	-32.54%
Admin Fees	951	1,145	(194)	-16.94%	9,283	9,890	(607)	-6.14%
Fuel & Utilities	20,077	15,828	4,249	26.84%	96,240	112,505	(16,265)	-14.46%
Repairs & Maintenance	28,667	22,911	5,756	25.12%	163,890	160,360	3,510	2.19%
Total Fringe Benefits and OTPS	432,549	451,807	(19,258)	-4.26%	2,927,311	3,022,907	(95,596)	-3.16%
Property								
Rent	70,406	70,628	(222)	-0.31%	487,826	490,866	(3,040)	-0.62%
Property Insurance	1,025	899	126	14.02%	7,194	6,175	1,019	16.50%
Property Interest	10,503	12,208	(1,705)	-13.97%	79,691	85,885	(6,194)	-7.21%
Depreciation & Capital Lease Amort.	50,708	48,979	1,729	3.53%	326,578	339,354	(12,776)	-3.76%
Total Property	132,642	132,714	(72)	-0.05%	901,289	922,280	(20,991)	-2.28%
Total functional expenses	1,260,861	1,325,251	(64,390)	-4.86%	8,829,789	9,047,150	(217,361)	-2.40%
Allocation of Central Admin exp	79,709	88,809	(9,100)	-10.25%	549,522	570,615	(21,093)	-3.70%
Total functional exp after Allocations	1,340,570	1,414,060	(73,490)	-5.20%	9,379,311	9,617,765	(238,454)	-2.48%
Operating surplus / deficit	21,280	(35,075)	56,355	-160.67%	609,958	242,721	367,237	151.30%
Net change in activity	21,280	(35,075)	56,355	-160.67%	609,958	242,721	367,237	151.30%
Prior Period Adjustment	448,767	0	448,767	0.00%	437,417	0	437,417	0.00%
Total net surplus/deficit	470,047	(35,075)	505,122	-1,440.12%	1,047,375	242,721	804,654	331.51%

Developmental Disabilities Institute
Adult ICF Services
For the Seven Months Ended July 31, 2016

	July				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Revenue								
Medicaid	$319,550	$317,643	$1,907	0.60%	$2,237,162	$2,228,224	$8,938	0.40%
Other Income	54	55	(1)	-1.82%	379	378	1	0.26%
Total Revenue	319,604	317,698	1,906	0.60%	2,237,541	2,228,602	8,939	0.40%
Expenses								
Salary Expenses								
Direct Care	144,990	135,274	9,716	7.18%	960,915	931,183	29,732	3.19%
Support	2,885	4,499	(1,614)	-35.87%	27,252	30,910	(3,658)	-11.83%
Clinical	15,918	18,240	(2,322)	-12.73%	116,039	127,610	(11,571)	-9.07%
Program Admin/Admin	6,721	5,717	1,004	17.56%	47,568	40,022	7,546	18.85%
HCI Salary	848	833	15	1.80%	8,319	8,291	28	0.34%
Maintenance	7,908	8,056	(148)	-1.84%	53,976	56,389	(2,413)	-4.28%
Transportation	1,434	1,446	(12)	-0.83%	10,346	10,122	224	2.21%
Accrued Vacation	196	196	0	0.00%	1,375	1,375	0	0.00%
Employee Recruitment Salaries	600	285	315	110.53%	2,640	1,995	645	32.33%
Workmen's Comp Reimbursement	(744)	0	(744)	0.00%	(1,569)	0	(1,569)	0.00%
Total Salaries Expense	180,756	174,546	6,210	3.56%	1,226,861	1,207,897	18,964	1.57%
Fringe Benefits & OTPS								
Employee Benefits	55,675	64,683	(9,008)	-13.93%	413,815	426,921	(13,106)	-3.07%
Fees for Service Professionals	7,255	3,393	3,862	113.82%	37,128	23,751	13,377	56.32%
Telephone & Communications	1,135	1,198	(63)	-5.26%	8,180	8,383	(203)	-2.42%
Travel	559	355	204	57.46%	3,699	2,485	1,214	48.85%
Food & Household Supplies	12,839	13,942	(1,103)	-7.91%	91,072	97,590	(6,518)	-6.68%
Program & Recreation Expense	2,083	1,472	611	41.51%	8,354	10,302	(1,948)	-18.91%
Supplies & Office Expense	380	537	(157)	-29.24%	3,744	3,749	(5)	-0.13%
Furniture & Equipment	40	54	(14)	-25.93%	2,740	380	2,360	621.05%
Medical Expense	1,418	683	735	107.61%	9,866	4,782	5,084	106.32%
Staff Expenses	610	1,182	(572)	-48.39%	9,988	8,272	1,716	20.74%
Vehicle Expense	3,410	3,695	(285)	-7.71%	19,644	24,055	(4,411)	-18.34%
Insurance Expense	4,397	4,423	(26)	-0.59%	30,545	30,390	155	0.51%
Meetings & Conferences	108	104	4	3.85%	958	727	231	31.77%
Legal & Accounting	15	0	15	0.00%	15	0	15	0.00%
Admin Fees	186	240	(54)	-22.50%	1,879	2,192	(313)	-14.28%
Fuel & Utilities	4,632	3,532	1,100	31.14%	22,729	26,643	(3,914)	-14.69%
Repairs & Maintenance	3,760	3,270	490	14.98%	29,805	22,890	6,915	30.21%
Medicaid Assessment tax	16,597	16,556	41	0.25%	116,581	116,148	433	0.37%
Total Fringe Benefits and OTPS	115,099	119,319	(4,220)	-3.54%	810,742	809,660	1,082	0.13%
Property								
Rent	0	3	(3)	-100.00%	21	23	(2)	-8.70%
Property Insurance	177	148	29	19.59%	1,211	1,017	194	19.08%
Property Interest	758	774	(16)	-2.07%	5,764	5,703	61	1.07%
Depreciation & Capital Lease Amort.	7,729	8,130	(401)	-4.93%	54,047	55,980	(1,933)	-3.45%
Total Property	8,664	9,055	(391)	-4.32%	61,043	62,723	(1,680)	-2.68%
Total functional expenses	304,519	302,920	1,599	0.53%	2,098,646	2,080,280	18,366	0.88%
Allocation of Central Admin exp	20,902	21,884	(982)	-4.49%	141,226	141,694	(468)	-0.33%
Total functional exp after Allocations	325,421	324,804	617	0.19%	2,239,872	2,221,974	17,898	0.81%
Operating surplus / deficit	(5,817)	(7,106)	1,289	-18.14%	(2,331)	6,628	(8,959)	-135.17%
Net change in activity	(5,817)	(7,106)	1,289	-18.14%	(2,331)	6,628	(8,959)	-135.17%
Prior Period Adjustment	0	0	0	0.00%	(2,285)	0	(2,285)	0.00%
Total net surplus/deficit	(5,817)	(7,106)	1,289	-18.14%	(4,616)	6,628	(11,244)	-169.64%

Developmental Disabilities Institute
Adult IRA Services
For the Seven Months Ended July 31, 2016

	July				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Revenue								
Medicaid	$2,137,182	$2,113,313	$23,869	1.13%	$14,450,250	$14,672,239	($221,989)	-1.51%
Other Income	190,696	196,768	(6,072)	-3.09%	1,346,487	1,382,910	(36,423)	-2.63%
Total Revenue	2,327,878	2,310,081	17,797	0.77%	15,796,737	16,055,149	(258,412)	-1.61%
Expenses								
Salary Expenses								
Direct Care	962,373	1,012,790	(50,417)	-4.98%	6,431,954	6,759,128	(327,174)	-4.84%
Support	26,576	41,995	(15,419)	-36.72%	196,731	277,371	(80,640)	-29.07%
Clinical	123,977	136,747	(12,770)	-9.34%	857,460	946,849	(89,389)	-9.44%
Program Admin/Admin	44,123	46,340	(2,217)	-4.78%	295,571	321,186	(25,615)	-7.98%
HCI Salary	4,118	4,054	64	1.58%	38,834	39,774	(940)	-2.36%
Maintenance	49,839	51,724	(1,885)	-3.64%	339,654	359,861	(20,207)	-5.62%
Transportation	9,944	9,856	88	0.89%	68,363	68,571	(208)	-0.30%
Accrued Vacation	1,016	1,016	0	0.00%	7,113	7,113	0	0.00%
Employee Recruitment Salaries	0	957	(957)	-100.00%	8,055	6,700	1,355	20.22%
Workmen's Comp Reimbursement	(9,614)	0	(9,614)	0.00%	(18,617)	0	(18,617)	0.00%
Total Salaries Expense	1,212,352	1,305,479	(93,127)	-7.13%	8,225,118	8,786,553	(561,435)	-6.39%
Fringe Benefits & OTPS								
Employee Benefits	422,168	470,558	(48,390)	-10.28%	2,819,093	3,065,975	(246,882)	-8.05%
Fees for Service Professionals	11,219	8,285	2,934	35.41%	111,428	57,416	54,012	94.07%
Telephone & Communications	10,513	10,863	(350)	-3.22%	71,844	75,227	(3,383)	-4.50%
Travel	4,148	2,696	1,452	53.86%	25,602	18,705	6,897	36.87%
Food & Household Supplies	68,297	91,011	(22,714)	-24.96%	562,431	629,815	(67,384)	-10.70%
Program & Recreation Expense	9,690	9,794	(104)	-1.06%	54,284	67,829	(13,545)	-19.97%
Supplies & Office Expense	4,351	3,753	598	15.93%	44,636	25,919	18,717	72.21%
Furniture & Equipment	491	419	72	17.18%	4,322	2,905	1,417	48.78%
Medical Expense	6,986	6,021	965	16.03%	52,441	41,604	10,837	26.05%
Staff Expenses	5,845	8,944	(3,099)	-34.65%	65,989	62,105	3,884	6.25%
Vehicle Expense	20,358	25,775	(5,417)	-21.02%	133,481	166,672	(33,191)	-19.91%
Insurance Expense	29,045	30,406	(1,361)	-4.48%	198,580	206,707	(8,127)	-3.93%
Meetings & Conferences	589	801	(212)	-26.47%	6,040	5,546	494	8.91%
Legal & Accounting	953	0	953	0.00%	5,023	0	5,023	0.00%
Admin Fees	1,366	1,369	(3)	-0.22%	13,141	13,509	(368)	-2.72%
Fuel & Utilities	28,248	27,470	778	2.83%	143,739	185,654	(41,915)	-22.58%
Repairs & Maintenance	26,967	23,240	3,727	16.04%	172,910	161,142	11,768	7.30%
Total Fringe Benefits and OTPS	651,234	721,405	(70,171)	-9.73%	4,484,984	4,786,730	(301,746)	-6.30%
Property								
Rent	1,928	825	1,103	133.70%	8,627	5,772	2,855	49.46%
Property Insurance	2,712	2,288	424	18.53%	18,310	15,571	2,739	17.59%
Property Interest	25,583	32,439	(6,856)	-21.14%	184,121	221,831	(37,710)	-17.00%
Depreciation & Capital Lease Amort.	88,934	91,028	(2,094)	-2.30%	599,277	619,342	(20,065)	-3.24%
Total Property	119,157	126,580	(7,423)	-5.86%	810,335	862,516	(52,181)	-6.05%
Total functional expenses	1,982,743	2,153,464	(170,721)	-7.93%	13,520,437	14,435,799	(915,362)	-6.34%
Allocation of Central Admin exp	131,663	150,944	(19,281)	-12.77%	880,933	953,260	(72,327)	-7.59%
Total functional exp after Allocations	2,114,406	2,304,408	(190,002)	-8.25%	14,401,370	15,389,059	(987,689)	-6.42%
Operating surplus / deficit	213,472	5,673	207,799	3,662.95%	1,395,367	666,090	729,277	109.49%
Net change in activity	213,472	5,673	207,799	3,662.95%	1,395,367	666,090	729,277	109.49%
Prior Period Adjustment	0	0	0	0.00%	115,247	0	115,247	0.00%
Total net surplus/deficit	213,472	5,673	207,799	3,662.95%	1,510,614	666,090	844,524	126.79%

Developmental Disabilities Institute
CASE MANAGEMENT
For the Seven Months Ended July 31, 2016

	July				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Revenue								
Medicaid	$84,937	$83,145	$1,792	2.16%	$598,619	$582,743	$15,876	2.72%
Grants	0	0	0	0.00%	434	0	434	0.00%
Other Income	109	151	(42)	-27.81%	326	1,054	(728)	-69.07%
Total Revenue	85,046	83,296	1,750	2.10%	599,379	583,797	15,582	2.67%
Expenses								
Salary Expenses								
Clinical	39,946	39,646	300	0.76%	274,243	272,409	1,834	0.67%
Program Admin/Admin	1,998	2,806	(808)	-28.80%	14,159	19,645	(5,486)	-27.93%
Maintenance	957	927	30	3.24%	6,462	6,488	(26)	-0.40%
Transportation	21	19	2	10.53%	146	136	10	7.35%
Accrued Vacation	23	23	0	0.00%	162	162	0	0.00%
Employee Recruitment Salaries	0	1	(1)	-100.00%	3	7	(4)	-57.14%
Workmen's Comp Reimbursement	0	0	0	0.00%	(33)	0	(33)	0.00%
Total Salaries Expense	42,945	43,422	(477)	-1.10%	295,142	298,847	(3,705)	-1.24%
Fringe Benefits & OTPS								
Employee Benefits	17,215	17,355	(140)	-0.81%	112,110	114,570	(2,460)	-2.15%
Telephone & Communications	406	362	44	12.15%	3,380	2,532	848	33.49%
Travel	2,041	2,000	41	2.05%	13,748	14,000	(252)	-1.80%
Food & Household Supplies	1	36	(35)	-97.22%	491	252	239	94.84%
Supplies & Office Expense	1,596	1,221	375	30.71%	7,647	8,282	(635)	-7.67%
Furniture & Equipment	5	108	(103)	-95.37%	1,489	758	731	96.44%
Medical Expense	0	0	0	0.00%	256	0	256	0.00%
Staff Expenses	2	44	(42)	-95.45%	71	304	(233)	-76.64%
Vehicle Expense	8	41	(33)	-80.49%	42	286	(244)	-85.31%
Insurance Expense	482	484	(2)	-0.41%	3,420	3,325	95	2.86%
Meetings & Conferences	0	50	(50)	-100.00%	70	350	(280)	-80.00%
Admin Fees	44	45	(1)	-2.22%	396	419	(23)	-5.49%
Fuel & Utilities	326	319	7	2.19%	1,705	2,227	(522)	-23.44%
Repairs & Maintenance	104	209	(105)	-50.24%	2,009	1,463	546	37.32%
Total Fringe Benefits and OTPS	22,230	22,274	(44)	-0.20%	146,834	148,768	(1,934)	-1.30%
Property								
Property Insurance	37	35	2	5.71%	277	240	37	15.42%
Property Interest	1,221	1,358	(137)	-10.09%	9,547	10,239	(692)	-6.76%
Depreciation & Capital Lease Amort.	559	639	(80)	-12.52%	3,979	4,420	(441)	-9.98%
Total Property	1,817	2,032	(215)	-10.58%	13,803	14,899	(1,096)	-7.36%
Total functional expenses	66,992	67,728	(736)	-1.09%	455,779	462,514	(6,735)	-1.46%
Allocation of Central Admin exp	4,605	4,892	(287)	-5.87%	30,633	31,436	(803)	-2.55%
Total functional exp after Allocations	71,597	72,620	(1,023)	-1.41%	486,412	493,950	(7,538)	-1.53%
Operating surplus / deficit	13,449	10,676	2,773	25.97%	112,967	89,847	23,120	25.73%
Net change in activity	13,449	10,676	2,773	25.97%	112,967	89,847	23,120	25.73%
Total net surplus/deficit	13,449	10,676	2,773	25.97%	112,967	89,847	23,120	25.73%

Developmental Disabilities Institute
YAP
For the Seven Months Ended July 31, 2016

	July				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Revenue								
SED/ EI	$530,736	$511,629	$19,107	3.73%	$3,589,509	$3,629,186	($39,677)	-1.09%
Medicaid	6,806	4,120	2,686	65.19%	47,242	30,772	16,470	53.52%
Grants	13,043	19,526	(6,483)	-33.20%	84,581	154,284	(69,703)	-45.18%
Other Income	7,123	(292)	7,415	-2,539.38%	68,152	69,958	(1,806)	-2.58%
Retro/Recon	12,506	0	12,506	0.00%	75,500	0	75,500	0.00%
Total Revenue	570,214	534,983	35,231	6.59%	3,864,984	3,884,200	(19,216)	-0.49%
Expenses								
Salary Expenses								
Direct Care	217,008	208,398	8,610	4.13%	1,539,258	1,451,062	88,196	6.08%
Clinical	68,397	62,595	5,802	9.27%	420,717	436,550	(15,833)	-3.63%
Program Admin/Admin	23,347	30,619	(7,272)	-23.75%	153,821	214,334	(60,513)	-28.23%
Maintenance	11,851	12,138	(287)	-2.36%	80,511	84,967	(4,456)	-5.24%
Transportation	266	254	12	4.72%	1,819	1,776	43	2.42%
Accrued Vacation	365	365	0	0.00%	2,553	2,553	0	0.00%
Employee Recruitment Salaries	0	917	(917)	-100.00%	9,340	6,421	2,919	45.46%
Workmen's Comp Reimbursement	0	0	0	0.00%	(814)	0	(814)	0.00%
Total Salaries Expense	321,234	315,286	5,948	1.89%	2,207,205	2,197,663	9,542	0.43%
Fringe Benefits & OTPS								
Employee Benefits	97,862	117,166	(19,304)	-16.48%	699,238	777,065	(77,827)	-10.02%
Fees for Service Professionals	163	0	163	0.00%	1,170	0	1,170	0.00%
Contingent Spending -Direct Care	0	6,620	(6,620)	-100.00%	0	46,340	(46,340)	-100.00%
Telephone & Communications	4,281	4,619	(338)	-7.32%	39,720	32,332	7,388	22.85%
Travel	1,018	293	725	247.44%	4,534	2,048	2,486	121.39%
Food & Household Supplies	1,023	1,000	23	2.30%	7,741	7,000	741	10.59%
Program & Recreation Expense	3,756	3,975	(219)	-5.51%	30,968	27,825	3,143	11.30%
Supplies & Office Expense	4,047	3,449	598	17.34%	23,107	24,141	(1,034)	-4.28%
Furniture & Equipment	1,128	750	378	50.40%	1,889	5,250	(3,361)	-64.02%
Medical Expense	0	599	(599)	-100.00%	4,817	4,196	621	14.80%
Staff Expenses	1,386	1,834	(448)	-24.43%	23,105	12,834	10,271	80.03%
Vehicle Expense	100	535	(435)	-81.31%	543	3,744	(3,201)	-85.50%
Insurance Expense	3,364	3,938	(574)	-14.58%	25,099	27,059	(1,960)	-7.24%
Meetings & Conferences	0	400	(400)	-100.00%	1,269	2,800	(1,531)	-54.68%
Admin Fees	54	73	(19)	-26.03%	2,061	1,893	168	8.87%
Fuel & Utilities	7,833	6,397	1,436	22.45%	40,651	44,783	(4,132)	-9.23%
Repairs & Maintenance	6,896	5,436	1,460	26.86%	30,953	38,051	(7,098)	-18.65%
Total Fringe Benefits and OTPS	132,911	157,084	(24,173)	-15.39%	936,865	1,057,361	(120,496)	-11.40%
Property								
Rent	18,112	18,312	(200)	-1.09%	127,302	128,186	(884)	-0.69%
Property Insurance	899	751	148	19.71%	6,203	5,162	1,041	20.17%
Property Interest	982	1,091	(109)	-9.99%	8,007	7,643	364	4.76%
Depreciation & Capital Lease Amort.	6,320	6,293	27	0.43%	46,332	43,927	2,405	5.47%
Total Property	26,313	26,447	(134)	-0.51%	187,844	184,918	2,926	1.58%
Total functional expenses	480,458	498,817	(18,359)	-3.68%	3,331,914	3,439,942	(108,028)	-3.14%
Allocation of Central Admin exp	32,085	35,178	(3,093)	-8.79%	217,914	228,602	(10,688)	-4.68%
Total functional exp after Allocations	512,543	533,995	(21,452)	-4.02%	3,549,828	3,668,544	(118,716)	-3.24%
Operating surplus / deficit	57,671	988	56,683	5,737.15%	315,156	215,656	99,500	46.14%
Net change in activity	57,671	988	56,683	5,737.15%	315,156	215,656	99,500	46.14%
Prior Period Adjustment	1,479	0	1,479	0.00%	356	0	356	0.00%
Total net surplus/deficit	59,150	988	58,162	5,886.84%	315,512	215,656	99,856	46.30%

Developmental Disabilities Institute
Opti-Health Care
For the Seven Months Ended July 31, 2016

	July				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Revenue								
Clinic Revenue	$322,763	$0	$322,763	0.00%	$2,645,677	$2,518,068	$127,609	5.07%
Grants	9,885	0	9,885	0.00%	72,416	80,998	(8,582)	-10.60%
Other Income	8,289	0	8,289	0.00%	108,226	104,751	3,475	3.32%
Total Revenue	340,937	0	340,937	0.00%	2,826,319	2,703,817	122,502	4.53%
Expenses								
Salary Expenses								
Clinical	191,165	0	191,165	0.00%	1,389,038	1,307,433	81,605	6.24%
Program Admin/Admin	38,460	0	38,460	0.00%	294,045	300,961	(6,916)	-2.30%
Maintenance	4,535	0	4,535	0.00%	31,121	36,147	(5,026)	-13.90%
Transportation	102	0	102	0.00%	696	1,167	(471)	-40.36%
Accrued Vacation	0	0	0	0.00%	2	2	0	0.00%
Employee Recruitment Salaries	0	0	0	0.00%	615	2,450	(1,835)	-74.90%
Workmen's Comp Reimbursement	0	0	0	0.00%	(157)	0	(157)	0.00%
Total Salaries Expense	234,262	0	234,262	0.00%	1,715,360	1,648,160	67,200	4.08%
Fringe Benefits & OTPS								
Employee Benefits	56,055	0	56,055	0.00%	421,937	393,616	28,321	7.20%
Fees for Service Professionals	49,626	0	49,626	0.00%	265,091	169,960	95,131	55.97%
Telephone & Communications	3,423	0	3,423	0.00%	31,226	21,697	9,529	43.92%
Travel	386	0	386	0.00%	2,102	657	1,445	219.94%
Food & Household Supplies	759	0	759	0.00%	6,759	5,500	1,259	22.89%
Program & Recreation Expense	82	0	82	0.00%	762	2,045	(1,283)	-62.74%
Supplies & Office Expense	8,456	0	8,456	0.00%	63,146	55,788	7,358	13.19%
Furniture & Equipment	1,377	0	1,377	0.00%	5,302	4,500	802	17.82%
Medical Expense	9,100	0	9,100	0.00%	68,006	54,000	14,006	25.94%
Staff Expenses	151	0	151	0.00%	933	3,500	(2,567)	-73.34%
Vehicle Expense	39	0	39	0.00%	203	2,460	(2,257)	-91.75%
Insurance Expense	8,695	0	8,695	0.00%	44,572	36,440	8,132	22.32%
Meetings & Conferences	0	0	0	0.00%	392	1,450	(1,058)	-72.97%
Legal & Accounting	1,035	0	1,035	0.00%	21,426	2,500	18,926	757.04%
Admin Fees	36	0	36	0.00%	776	894	(118)	-13.20%
Fuel & Utilities	5,304	0	5,304	0.00%	30,852	30,980	(128)	-0.41%
Repairs & Maintenance	8,212	0	8,212	0.00%	52,077	44,301	7,776	17.55%
Total Fringe Benefits and OTPS	152,736	0	152,736	0.00%	1,015,562	830,288	185,274	22.31%
Property								
Rent	20,620	0	20,620	0.00%	137,444	116,392	21,052	18.09%
Property Insurance	244	0	244	0.00%	1,781	1,340	441	32.91%
Property Interest	9,633	0	9,633	0.00%	75,091	64,610	10,481	16.22%
Depreciation & Capital Lease Amort.	15,601	0	15,601	0.00%	113,565	87,562	26,003	29.70%
Total Property	46,098	0	46,098	0.00%	327,881	269,904	57,977	21.48%
Total functional expenses	433,096	0	433,096	0.00%	3,058,803	2,748,352	310,451	11.30%
Allocation of Central Admin exp	27,341	0	27,341	0.00%	189,279	174,063	15,216	8.74%
Total functional exp after Allocations	460,437	0	460,437	0.00%	3,248,082	2,922,415	325,667	11.14%
Operating surplus / deficit	(119,500)	0	(119,500)	0.00%	(421,763)	(218,598)	(203,165)	92.94%
Net change in activity	(119,500)	0	(119,500)	0.00%	(421,763)	(218,598)	(203,165)	92.94%
Prior Period Adjustment	0	0	0	0.00%	503,514	0	503,514	0.00%
Total net surplus/deficit	(119,500)	0	(119,500)	0.00%	81,751	(218,598)	300,349	-137.40%

Developmental Disabilities Institute
Other Programs
For the Seven Months Ended July 31, 2016

	July				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Revenue								
Grants	$43,885	$44,234	($349)	-0.79%	$216,388	$309,635	($93,247)	-30.12%
Other Income	4,011	55,908	(51,897)	-92.83%	28,433	79,908	(51,476)	-64.42%
Total Revenue	47,896	100,142	(52,246)	-52.17%	244,821	389,543	(144,722)	-37.15%
Expenses								
Salary Expenses								
Direct Care	0	8,470	(8,470)	-100.00%	63	58,197	(58,134)	-99.89%
Clinical	10,645	5,929	4,716	79.54%	41,647	40,738	909	2.23%
Program Admin/Admin	17,886	12,577	5,309	42.21%	94,569	86,418	8,151	9.43%
Maintenance	1,013	4,388	(3,375)	-76.91%	7,363	10,907	(3,544)	-32.49%
Transportation	2	1	1	100.00%	9	10	(1)	-10.00%
Workmen's Comp Reimbursement	0	0	0	0.00%	(2)	0	(2)	0.00%
Total Salaries Expense	29,546	31,365	(1,819)	-5.80%	143,649	196,270	(52,621)	-26.81%
Fringe Benefits & OTPS								
Employee Benefits	8,882	10,132	(1,250)	-12.34%	45,755	66,479	(20,724)	-31.17%
Telephone & Communications	103	998	(895)	-89.68%	503	2,498	(1,995)	-79.86%
Travel	364	0	364	0.00%	578	3,000	(2,422)	-80.73%
Food & Household Supplies	0	133	(133)	-100.00%	3	133	(130)	-97.74%
Program & Recreation Expense	0	0	0	0.00%	479	0	479	0.00%
Supplies & Office Expense	223	544	(321)	-59.01%	6,199	3,672	2,527	68.82%
Furniture & Equipment	2,835	0	2,835	0.00%	11,064	36,078	(25,014)	-69.33%
Medical Expense	0	0	0	0.00%	1	0	1	0.00%
Staff Expenses	0	0	0	0.00%	264	0	264	0.00%
Vehicle Expense	1	4	(3)	-75.00%	2	22	(20)	-90.91%
Insurance Expense	12	11	1	9.09%	80	74	6	8.11%
Meetings & Conferences	0	0	0	0.00%	1,309	7,000	(5,691)	-81.30%
Admin Fees	0	0	0	0.00%	1	1	0	0.00%
Fuel & Utilities	118	1,503	(1,385)	-92.15%	201	1,655	(1,454)	-87.85%
Repairs & Maintenance	37	2,456	(2,419)	-98.49%	1,076	2,546	(1,470)	-57.74%
Total Fringe Benefits and OTPS	12,575	15,781	(3,206)	-20.32%	67,515	123,158	(55,643)	-45.18%
Property								
Rent	0	19,367	(19,367)	-100.00%	0	19,367	(19,367)	-100.00%
Property Insurance	14	216	(202)	-93.52%	34	216	(182)	-84.26%
Property Interest	9	9,647	(9,638)	-99.91%	22	9,719	(9,697)	-99.77%
Depreciation & Capital Lease Amort.	40	13,618	(13,578)	-99.71%	153	13,768	(13,615)	-98.89%
Total Property	63	42,848	(42,785)	-99.85%	209	43,070	(42,861)	-99.51%
Total functional expenses	42,184	89,994	(47,810)	-53.13%	211,373	362,498	(151,125)	-41.69%
Allocation of Central Admin exp	2,976	3,511	(535)	-15.24%	14,636	22,434	(7,798)	-34.76%
Total functional exp after Allocations	45,160	93,505	(48,345)	-51.70%	226,009	384,932	(158,923)	-41.29%
Operating surplus / deficit	2,736	6,637	(3,901)	-58.78%	18,812	4,611	14,201	307.98%
Net change in activity	2,736	6,637	(3,901)	-58.78%	18,812	4,611	14,201	307.98%
Total net surplus/deficit	2,736	6,637	(3,901)	-58.78%	18,812	4,611	14,201	307.98%

Developmental Disabilities Institute
Admin
For the Seven Months Ended July 31, 2016

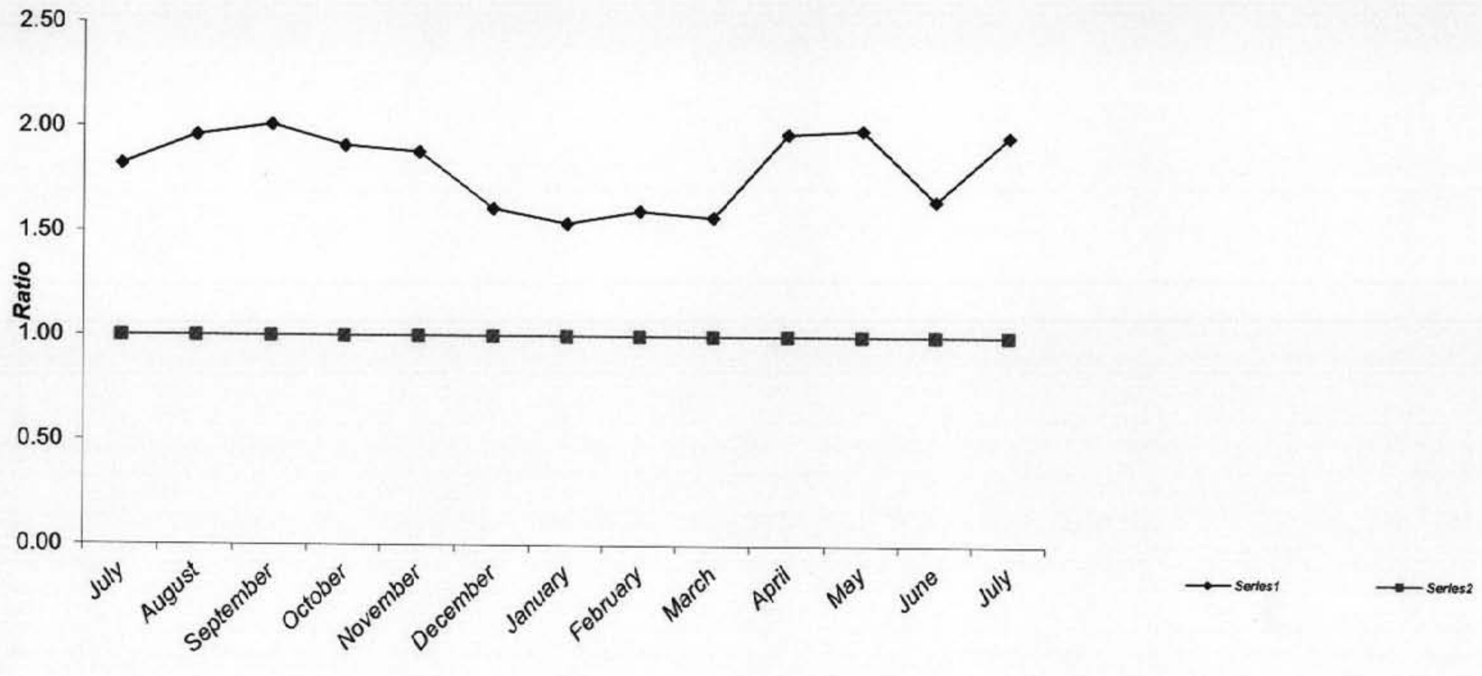
	July				YTD			
			Variance				Variance	
	Actual	Budget	$	%	Actual	Budget	$	%
Revenue								
Grants	159	162	(3)	-1.85%	6,079	1,112	4,967	446.67%
Other Income	5,294	8,463	(3.169)	-37.45%	58,301	58,788	(487)	-0.83%
Total Revenue	5,453	8,625	(3,172)	-36.78%	64,380	59,900	4,480	7.48%
Expenses								
Salaries Expenses								
Direct Care	0	0	0	0.00%	593	0	593	0.00%
Clinical	4.864	0	4,864	0.00%	34,338	0	34,338	0.00%
Prgm Admin/Admin	267.699	283,387	(15,688)	-5.54%	1,862,891	1,948,433	(85,542)	-4.39%
Maintenance	7,749	9,858	(2,109)	-21.39%	52,979	69,004	(16,025)	-23.22%
Transportation	1,225	2,832	(1,607)	-56.74%	10,221	19,827	(9,606)	-48.45%
Accrued Vacation	74	74	0	0.00%	518	518	0	0.00%
Employee Recruitment Salaries	0	86	(86)	-100.00%	(526)	600	(1,126)	-187.67%
Workmen's Comp Reimbursement	(13)	0	(13)	0.00%	(388)	0	(388)	0.00%
Total Salaries Expense	281,598	296,237	(14,639)	-4.94%	1,960,626	2,038,382	(77,756)	-3.81%
Fringe Benefits & OTPS								
Employee Benefits NP	95,377	81,999	13,378	16.31%	589,028	550,582	38.446	6.98%
Fees for Service Professionals	13,141	11,489	1,652	14.38%	79,775	78,943	832	1.05%
Telephone & Communications	2,655	2,844	(189)	-6.65%	28,476	19,544	8,932	45.70%
Travel	993	1,347	(354)	-26.28%	10,916	9.253	1,663	17.97%
Food & Household Supplies	350	514	(164)	-31.91%	4,081	3,532	549	15.54%
Program & Recreation Expense	0	0	0	0.00%	64	0	64	0.00%
Supplies & Office Expense	45,982	56,101	(10,119)	-18.04%	304,118	336,166	(32,048)	-9.53%
Miscellanous Expense	0	0	0	0.00%	(41)	0	(41)	0.00%
Furniture & Equipment	186	1,228	(1,042)	-84.85%	6,316	8,439	(2,123)	-25.16%
Medical Expense	3	0	3	0.00%	73	0	73	0.00%
Staff Expenses	4,347	7.937	(3,590)	-45.23%	34,073	54,537	(20,464)	-37.52%
Vehicle Expense	139	569	(430)	-75.57%	860	3,981	(3,121)	-78.40%
Insurance Expense	3,586	3,635	(49)	-1.35%	25,142	24,975	167	0.67%
Meetings & Conferences	1.001	1,456	(455)	-31.25%	5,628	10,045	(4,417)	-43.97%
Legal & Accounting	14.090	20,504	(6,414)	-31.28%	126,233	142,497	(16,264)	-11.41%
Admin Fees	114	103	11	10.68%	1,975	1,887	88	4.66%
Utilities	3,502	3,505	(3)	-0.09%	18,675	24,098	(5,423)	-22.50%
Repairs & Maintenance	2,115	2,661	(546)	-20.52%	17,417	18,625	(1,208)	-6.49%
Total Fringe Benefits & OTPS	187,581	195,892	(8,311)	-4.24%	1,252,809	1,287,104	(34,295)	-2.66%
Property								
Rent	1,594	1,595	(1)	-0.06%	11,179	11,162	17	0.15%
Property Insurance	373	366	7	1.91%	2,866	2,517	349	13.87%
Property Interest	4,011	5,828	(1,817)	-31.18%	31,702	38,056	(6.354)	-16.70%
Depreciation & Capital Lease Amort.	27,238	30,138	(2,900)	-9.62%	192,819	207,450	(14,631)	-7.05%
Total Property	33,216	37,927	(4,711)	-12.42%	238.566	259,185	(20,619)	-7.96%
Total functional expenses	502,395	530,056	(27,661)	-5.22%	3,452,001	3,584,671	(132,670)	-3.70%
Reversal of Central Admin exp	(502,395)	(530,056)	27,661	-5.22%	(3,452,001)	(3,584,671)	132,670	-3.70%
Operating surplus / deficit	5,453	8.625	(3.172)	-36.78%	64,380	59,900	4,480	7.48%
Net change in activity	5,453	8,625	(3,172)	-36.78%	64,380	59,900	4,480	7.48%
Total net surplus / deficit	$5,453	$8,625	($3,172)	-36.78%	$64,380	$59,900	$4,480	7.48%

Developmental Disabilities Institute/DDI Foundation
Consolidated
Debt Service Coverage Ratio
Twelve months Change July'16 to July'15

Change in Net Assets	$	3,452,343 (A)
Depreciation & Amortization Expense		3,137,998
Interest Expense		1,099,393
Total		*7,689,734*
Current portion of Bonds Payable		1,930,000
Current portion Mortgages and Notes Payable		246,684
Current portion of Capital Leases		646,186
Interest Expense		1,099,393
Total	*$*	*3,922,263*
Ratio		***1.96***
Previous Months Ratio		***1.65***
Previous Year Ratio		***1.82***
Bank Ratio		*1.00: 1.00*

(A)the covenant analysis excludes DDI Foundation

DEVELOPMENTAL DISABILITIES INSTITUTE, INC.
Debt Service Coverage 2015 - 2016



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APPENDIX C-II

EDEN II SCHOOL FOR AUTISTIC CHILDREN, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF JULY 31, 2016 AND JUNE 30, 2016)

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Eden II School for Autistic Children, Inc.
Financial Statements

July 31, 2016

Printed 10/31/2016

Eden II School For Autistic Children, Inc.
Statement of Financial Position

		July 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$	772,046
Program services receivable		4,456,680
Grants, contracts, and pledges receivable		3,241,131
Prepaid expense and other assets		251,595
Total current assets		8,721,452
Bond trustee held investments		1,128,742
Deferred debt issuance costs, net of accumulated amortization		697,136
Property and equipment, net		18,663,496
Total assets		**29,210,826**
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses		1,903,402
Accrued compensation		1,467,302
Due to state and local agencies		337,516
Due to related party		25,000
Line of credit - bank		1,750,000
Line of credit - FAAP		1,000,000
Due to DASNY, current portion		1,900
Bonds payable, current portion		735,000
Long-term debt, current portion		1,437,158
Total current liabilities		8,657,278
Long-term Liabilities:		
Due to related party		1,646,536
Bonds payable, less current portion		7,836,197
Long-term debt, less current portion		2,754,599
Other long-term liabilities		13,100
Total Liabilities		20,907,710
Commitments and Contingencies		
Net Assets:		
Unrestricted net assets		7,649,745
Temporarily restricted assets		653,370
Total Net Assets		8,303,116
Total Liabilities and Net Assets	$	**29,210,826**

Eden II School For Autistic Children Inc.
Statement of Activities

One month ending July 31, 2016	Actual	Budget	Variance
Revenue			
Program revenue, net	2,335,015	2,341,352	(6,337)
Grants and contract services	49,713	22,873	26,840
Interest income	103	-	103
Contributions	4,436	-	4,436
Other Revenue	37,092	36,425	667
Net assets released from restriction	804	-	804
Total Unrestricted Revenue	2,427,163	2,400,651	26,512
Expenses			
Educational services	791,389	820,056	28,667
Family services	56,297	80,233	23,936
DayHab	329,736	370,190	40,455
Com Hab	61,663	72,277	10,614
Residential services	634,222	725,772	91,550
Outreach	192,890	203,245	10,355
Administration	395,278	396,921	1,643
Total Expenses	2,461,475	2,668,694	207,219
Change in unrestricted net assets before other changes	(34,312)	(268,043)	233,731
Other Changes in Unrestricted Net Assets:			
Unrealized gain/(loss) on investments	(846)	-	(846)
Total change in unrestricted net assets	(35,158)	(268,043)	232,885
Changes in Temporarily Restricted Net Assets:			
Restricted contributions	-	-	-
Net assets released to operations	(804)	-	(804)
Total change in temporarily restricted net assets	(804)	-	(804)
Increase in net assets	(35,962)	(268,043)	232,081
Net Assets as of June 30, 2016	8,339,078		
Net Assets as of July 31, 2016	8,303,116		
	-		

Eden II School For Autistic Children, Inc.
Statement of Operating Activities
One month ending July 31, 2016

Changes in Unrestricted Net Assets	Educational Services	Family Services	DayHab	Com Hab	Residential Services	Outreach	Administration	Actual	Budget	Positive (Negative) Variance
Revenue:										
Program Revenue, net	758,904	113,925	376,204	90,050	835,490	209,985	170	2,384,728	2,364,226	20,502
Other Revenue	723	1,050	200	-	8,026	1,241	30,392	41,631	36,425	5,206
Assets Released from Restriction	240	-	491	-	73	-	-	804	-	804
Total Operating Revenue (A)	759,866	114,975	376,894	90,050	843,589	211,226	30,562	2,427,163	2,400,651	26,512
Expenses										
Payroll	514,377	40,028	210,562	47,826	386,500	142,485	197,608	1,539,387	1,631,848	92,461
Benefits	134,234	9,708	53,139	9,487	105,825	33,824	49,479	395,695	444,024	48,329
Non-Payroll	71,416	4,872	48,708	2,001	94,889	13,176	95,410	330,472	394,326	63,855
Interest	21,269	509	2,168	712	12,653	1,475	14,957	53,743	56,433	2,691
Bad Debts	-	-	-	-	-	-	10,000	10,000	2,500	(7,500)
Total Operating Expenses	741,296	55,117	314,577	60,027	599,867	190,960	367,454	2,329,297	2,529,132	199,835
Revenue over(under) expenses (B)	**18,570**	**59,858**	**62,318**	**30,024**	**243,723**	**20,266**	**(336,893)**	**97,865**	**(128,481)**	**226,347**
Non-Operating Revenue (Expense)										
Depreciation	(50,093)	(1,180)	(15,159)	(1,636)	(34,355)	(1,931)	(27,823)	(132,177)	(139,562)	7,384
Unrealized gain(loss) on Investments	-	-	-	-	-	-	(846)	(846)		(846)
Total Non-Operating Items	(50,093)	(1,180)	(15,159)	(1,636)	(34,355)	(1,931)	(28,670)	(133,024)	(139,562)	6,538
Change in Unrestricted Net Assets:	**(31,523)**	**58,678**	**47,159**	**28,387**	**209,368**	**18,336**	**(365,563)**	**(35,158)**	**(268,043)**	**232,885**
Operating Gross Profit Percentage (B/A)	2.4%	52.1%	16.5%	33.3%	28.9%	9.6%	-1102.3%	4.0%	-5.4%	
Operating Contribution w/Admin Allocation based on program expenses	(108,727)	50,394	8,298	19,716	140,712	(12,526)	-	97,865		

Eden II School For Autistic Children, Inc.
Statement of Functional Expenses

One month ending July 31, 2016

	Program Services						Total	Management			
	Educational	Family Support	Day Hab	Com Hab	Residential	Outreach	Total Program Services	Management and General	Total	Budget	Variance
Salaries and wages	514,377	40,028	210,562	47,826	386,500	142,485	1,341,779	197,608	1,539,387	1,631,848	92,461
Fringe benefits	134,234	9,708	53,139	9,487	105,825	33,824	346,217	49,479	395,695	444,024	48,329
Repairs and maintenance	11,461	453	11,201	320	19,323	2,156	44,915	8,092	53,007	68,764	15,758
Rent	36,138	-	3,478	-	-	5,974	45,590	1,711	47,302	52,857	5,555
Interest	21,269	509	2,168	712	12,653	1,475	38,786	14,957	53,743	56,433	2,691
Consumable supplies	4,717	2,786	6,122	866	10,030	753	25,274	3,991	29,265	57,258	27,993
Insurance	5,533	621	6,062	144	8,468	25	20,854	30,652	51,506	29,550	(21,956)
Utilities	7,136	1	3,501	155	5,974	606	17,372	5,099	22,472	22,407	(65)
Food	-	67	14	-	14,515	-	14,596	-	14,596	22,367	7,771
Participants Incidentals	293	-	1,820	-	10,059	496	12,668	-	12,668	18,960	6,292
Professional fees	1,134	17	641	24	500	125	2,441	11,103	13,544	15,616	2,072
Consultants and contractual services	2,175	-	-	-	1,880	-	4,055	4,800	8,855	9,421	566
Travel	341	468	908	56	288	373	2,433	357	2,790	7,439	4,649
Equipment	(3,779)	-	1,635	-	1,785	-	(359)	-	(359)	15,095	15,454
Telephone and communication	2,798	147	1,741	341	3,366	1,656	10,049	3,686	13,735	11,066	(2,669)
Leased vehicles	402	-	9,688	-	7,253	-	17,343	20	17,363	15,753	(1,610)
Payroll Processing	-	-	-	-	-	-	-	20,333	20,333	8,850	(11,483)
Leased equipment	3,018	62	1,623	93	2,582	140	7,518	2,305	9,823	7,929	(1,894)
Staff training and development	15	-	238	-	-	-	253	990	1,243	7,776	6,533
Advertising	-	-	-	-	-	185	185	1,850	2,035	5,326	3,291
Dues and subscriptions	-	-	-	-	-	26	26	2,430	2,456	6,003	3,547
Miscellaneous	33	250	36	0	8,867	660	9,847	(2,008)	7,838	11,890	4,052
Bad debts expenses	-	-	-	-	-	-	-	10,000	10,000	2,500	(7,500)
Operating Subtotal	741,296	55,117	314,577	60,027	599,867	190,960	1,961,843	367,454	2,329,297	2,529,132	199,835
Depreciation and amortization	50,093	1,180	15,159	1,636	34,355	1,931	104,354	27,823	132,177	139,562	7,384
Total Functional Expenses	**791,389**	**56,297**	**329,736**	**61,663**	**634,222**	**192,890**	**2,066,197**	**395,278**	**2,461,475**	**2,668,694**	**207,219**

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Eden II School for Autistic Children, Inc.
Financial Statements

June 30, 2016

Printed 9/9/2016

Eden II School For Autistic Children, Inc.
Statement of Financial Position

		June 30, 2016	June 30, 2015
ASSETS			
Current Assets			
Cash and cash equivalents	$	890,163	603,678
Program services receivable		4,277,938	2,959,968
Grants, contracts, and pledges receivable		3,261,398	3,348,382
Prepaid expense and other assets		279,026	217,633
Total current assets		8,708,525	7,129,661
Bond trustee held investments		1,968,482	1,511,356
Deferred debt issuance costs, net of accumulated amortization		701,289	839,148
Property and equipment, net		18,770,138	18,802,219
Total assets		**30,148,434**	**28,282,384**
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued expenses		1,490,029	1,277,848
Accrued compensation		2,101,800	1,976,768
Due to state and local agencies		329,211	1,102,760
Due to related party		25,000	25,000
Line of credit - bank		1,403,925	-
Line of credit - FAAP		1,000,000	-
Due to DASNY, current portion		1,900	19,300
Bonds payable, current portion		720,000	265,000
Long-term debt, current portion		34,522	34,017
Total current liabilities		7,106,387	4,700,693
Long-term Liabilities:			
Due to related party		1,853,119	2,006,479
Bonds payable, less current portion		8,573,986	9,327,459
Long-term debt, less current portion		4,239,446	3,519,825
Other long-term liabilities		13,100	46,924
Total Liabilities		21,786,039	19,601,380
Commitments and Contingencies			
Net Assets:			
Unrestricted net assets		7,708,221	8,075,679
Temporarily restricted assets		654,174	605,325
Total Net Assets		8,362,395	8,681,004
Total Liabilities and Net Assets	$	**30,148,434**	**28,282,384**
		-	-
		-	

Eden II School For Autistic Children Inc.
Statement of Activities

Twelve months ending June 30, 2016	Actual	Budget	Variance
Revenue			
Program revenue, net	29,017,001	29,276,744	(259,743)
Grants and contract services	631,542	500,530	131,012
Interest income	4,316	-	4,316
Contributions	218,098	375,000	(156,902)
Other Revenue	469,440	451,154	18,285
Net assets released from restriction	108,439	-	108,439
Total Unrestricted Revenue	30,448,835	30,603,428	(154,593)
Expenses			
Educational services	9,993,435	9,622,442	(370,994)
Family services	1,023,748	1,060,326	36,578
DayHab	4,026,288	4,153,290	127,002
Com Hab	846,049	905,829	59,779
Residential services	7,307,642	7,781,108	473,465
Outreach	2,481,109	3,138,997	657,888
Administration	5,149,081	4,764,831	(384,250)
Total Expenses	30,827,353	31,426,822	599,469
Change in unrestricted net assets before other changes	(378,518)	(823,394)	444,876
Other Changes in Unrestricted Net Assets:			
Unrealized gain/(loss) on investments	11,060	-	11,060
Total change in unrestricted net assets	(367,458)	(823,394)	455,936
Changes in Temporarily Restricted Net Assets:			
Restricted contributions	157,288	-	157,288
Net assets released to operations	(108,439)	-	(108,439)
Total change in temporarily restricted net assets	48,849	-	48,849
Increase in net assets	(318,609)	(823,394)	504,785
Net Assets as of June 30, 2015	8,681,004		
Net Assets as of June 30, 2016	8,362,395		

Eden II School For Autistic Children, Inc.
Statement of Operating Activities
Twelve months ending June 30, 2016

Changes in Unrestricted Net Assets	Educational Services	Family Services	DayHab	Com Hab	Residential Services	Outreach	Administration	Actual	Budget	Positive (Negative) Variance
Revenue:										
Program Revenue, net	11,020,708	1,301,705	4,890,078	1,067,585	9,028,503	2,343,564	(3,602)	29,648,543	29,777,274	(128,731)
Other Revenue	12,219	35,702	4,223	-	141,879	6,047	491,784	691,854	826,154	(134,300)
Assets Released from Restriction	33,711	1,620	41,522	-	28,177	909	2,500	108,439	-	108,439
Total Operating Revenue (A)	11,066,639	1,339,027	4,935,824	1,067,585	9,198,559	2,350,520	490,682	30,448,835	30,603,428	(154,593)
Expenses										
Payroll	6,631,896	737,920	2,580,008	610,845	4,479,752	1,841,255	2,393,310	19,274,986	20,002,829	727,843
Benefits	1,755,904	195,070	724,288	165,736	1,175,521	504,890	640,448	5,161,858	5,018,201	(143,657)
Non-Payroll	963,612	88,452	530,259	28,261	1,131,749	208,739	1,087,155	4,038,226	4,337,814	299,589
Interest	206,027	-	15,651	15,723	90,081	-	306,602	634,084	631,005	(3,079)
Bad Debts	-	-	-	-	-	(80,627)	200,116	119,489	61,464	(58,025)
Total Operating Expenses	9,557,439	1,021,442	3,850,207	820,565	6,877,103	2,474,257	4,627,631	29,228,643	30,051,313	822,670
Revenue over(under) expenses (B)	**1,509,200**	**317,585**	**1,085,617**	**247,020**	**2,321,456**	**(123,737)**	**(4,136,949)**	**1,220,193**	**552,115**	**668,077**
Non-Operating Revenue (Expense)										
Depreciation	(435,997)	(2,306)	(176,081)	(25,484)	(430,540)	(6,852)	(521,450)	(1,598,711)	(1,375,510)	(223,201)
Unrealized gain(loss) on Investments	-	-	-	-	-	-	11,060	11,060		11,060
Total Non-Operating Items	(435,997)	(2,306)	(176,081)	(25,484)	(430,540)	(6,852)	(510,391)	(1,587,651)	(1,375,510)	(212,141)
Change in Unrestricted Net Assets:	**1,073,203**	**315,279**	**909,535**	**221,536**	**1,890,916**	**(130,589)**	**(4,647,339)**	**(367,458)**	**(823,394)**	**455,936**
Operating Gross Profit Percentage (B/A)	13.6%	23.7%	22.0%	23.1%	25.2%	-5.3%	-843.1%	4.0%	1.8%	
Operating Contribution w/Admin Allocation based on program expenses	(97,995)	145,818	438,160	109,033	1,164,991	(539,812)	-	1,220,193		

Eden II School For Autistic Children, Inc.
Statement of Functional Expenses

Twelve months ending June 30, 2016

	Program Services						Total	Management			
	Educational	Family Support	Day Hab	Com Hab	Residential	Outreach	Total Program Services	Management and General	Total	Budget	Variance
Salaries and wages	6,569,265	735,816	2,611,307	614,024	4,459,926	1,846,837	16,837,176	2,412,091	19,249,267	20,002,829	753,562
Fringe benefits	1,818,536	197,174	692,989	162,557	1,195,347	499,308	4,565,911	621,667	5,187,578	5,018,201	(169,377)
Repairs and maintenance	212,707	11,901	142,665	7,284	231,038	20,130	625,725	128,716	754,441	746,327	(8,115)
Rent	275,794	1	47,565	12	-	74,396	397,769	19,328	417,097	421,619	4,522
Interest	206,027	-	15,651	15,723	90,081	-	327,482	306,602	634,084	631,005	(3,079)
Consumable supplies	131,059	33,846	82,308	7,423	131,254	22,994	408,885	97,801	506,685	597,083	90,398
Insurance	33,251	2,020	36,875	1,460	58,502	203	132,311	200,943	333,253	326,571	(6,682)
Utilities	78,774	-	34,982	3,819	74,270	2,196	194,042	73,897	267,939	317,954	50,015
Food	287	2,072	343	-	198,944	37	201,683	17	201,699	262,306	60,607
Participants Incidentals	3,819	-	32,410	-	130,690	256	167,175	-	167,175	202,800	35,625
Professional fees	11,167	229	4,689	458	20,025	19,047	55,614	129,305	184,919	170,446	(14,473)
Consultants and contractual services	49,646	-	-	-	23,970	2,790	76,406	89,961	166,367	121,648	(44,719)
Travel	15,533	27,910	25,729	1,851	4,444	14,773	90,240	20,423	110,663	143,743	33,080
Equipment	54,054	170	22,151	124	33,723	8,785	119,006	20,455	139,461	159,575	20,113
Telephone and communication	42,584	8,625	14,737	3,367	37,195	10,355	116,863	25,211	142,074	116,421	(25,652)
Leased vehicles	5,326	-	70,085	-	73,747	-	149,158	40	149,198	180,400	31,202
Payroll Processing	-	-	-	-	-	-	-	83,672	83,672	80,000	(3,672)
Leased equipment	30,247	1,160	8,589	1,278	18,391	597	60,261	21,489	81,750	83,263	1,513
Staff training and development	7,830	430	5,251	1,184	4,958	16,588	36,241	34,423	70,663	133,120	62,456
Advertising	-	-	-	-	-	14,157	14,157	48,757	62,914	56,077	(6,837)
Dues and subscriptions	1,251	23	315	74	-	883	2,545	37,748	40,293	53,975	13,682
Miscellaneous	10,282	65	1,566	(74)	90,599	552	102,990	54,971	157,961	164,486	6,525
Bad debts expenses	-	-	-	-	-	(80,627)	(80,627)	200,116	119,489	61,464	(58,025)
Operating Subtotal	9,557,439	1,021,442	3,850,207	820,565	6,877,103	2,474,257	24,601,012	4,627,631	29,228,643	30,051,313	822,670
Depreciation and amortization	435,997	2,306	176,081	25,484	430,540	6,852	1,077,261	521,450	1,598,711	1,375,510	(223,201)
Total Functional Expenses	**9,993,435**	**1,023,748**	**4,026,288**	**846,049**	**7,307,642**	**2,481,109**	**25,678,272**	**5,149,081**	**30,827,353**	**31,426,822**	**599,469**
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APPENDIX C-III

LIFESPIRE, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF JULY 31, 2016 AND JUNE 30, 2016)

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Lifespire, Inc. and Subsidiary
Financial Statements

July 31, 2016

LIFESPIRE, INC.
PRO FORMA STATEMENT OF FINANCIAL POSITION
July 31, 2016
(Unaudited)

Assets	
Cash and cash equivalents	22,008,661
Cash and cash equivalents designated for recoupments payable	9,664,397
Cash and cash equivalents designated for self funded insurance	2,384,282
Cash and cash equivalents designated for health reimbursement accounts	1,734,463
Cash and cash equivalents restricted to debt service escrow	3,436,768
Investments	3,047,116
Debt Service Reserve Fund due from New York State	318,841
Accounts Receivable - Net	302,559
Accrued Income Receivables	14,608,728
Due From Related Parties	735,043
Security Deposits and Prepaid Expenses	828,926
Property and Equipment	17,225,586
Deferred Charges - Bond Issue Costs-Net	3,512,018
Total Assets	**79,807,388**

Liabilities and Net Assets	
Liabilities	
Accounts Payable and Accrued Expenses	3,615,758
Accrued Payroll	1,826,093
Accrued Compensated Absences	3,508,453
Recoupments Payable and Deferred Income	9,071,631
Mortgages Payable - DASNY	854,539
Bonds Payable - DASNY	11,257,917
Bonds Payable IDA	549,501
Lines of Credit	1,035,669
Deferred Rent	2,649,237
Self Funded Insurance Liability	1,575,315
Pension Liability	5,180,577
Postretirement Health Insurance Liability	5,312,099
Total Liabilities	46,436,789
Net Assets:	
Unrestricted:	21,520,784
Residential reserve for replacement	979,354
Property and equipment	6,120,361
Board designated - program expansion	1,125,818
Board designated - anticipated pension contributions	1,240,000
Board designated - self funded Insurance	2,384,282
Total Net Assets	33,370,599
Total Liabilities and Net Assets	**79,807,388**

LIFESPIRE, INC.
PRO FORMA STATEMENT OF ACTIVITIES
PERIOD ENDED7/31/2016
(Unaudited)

Support and Revenue - Program Operations:	
Program Service Fees	8,289,353
Participant's Share of Room and Board	223,797
Subcontract - Net	28,144
MCFAA and DASNY Bond Fees	46,595
Subtotal Support and Revenue - Program Operations	8,587,889
Expenses:	
Program Services	6,995,099
Management and Administration	640,799
Total Expenses	7,635,898
Change in unrestricted net assets before other revenue and prior year revenue	951,991
Other Revenue	
Investment Return	6,273
Contributions and Fund Raising	
Miscellaneous	3,854
Total other revenue	10,127
Changes in unrestricted net assets before prior period revenue	962,118
Prior Period Revenue	
Increase in unrestricted net assets	962,118
Net Assets, Beginning of the Period	32,408,481
Net Assets, End of the Period	**33,370,599**

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Lifespire, Inc. and Subsidiary
Financial Statements

June 30, 2016

LIFESPIRE, INC.
PRO FORMA STATEMENT OF FINANCIAL POSITION
June 30, 2016
(Unaudited)

Assets	
Cash and cash equivalents	20,944,145
Cash and cash equivalents designated for recoupments payable	9,664,397
Cash and cash equivalents designated for self funded insurance	2,917,255
Cash and cash equivalents designated for health reimbursement accounts	1,754,955
Cash and cash equivalents restricted to debt service escrow	3,144,684
Investments	4,536,562
Debt Service Reserve Fund due from New York State	318,841
Accounts Receivable - Net	289,572
Accrued Income Receivables	15,302,470
Due From Related Parties	735,043
Security Deposits and Prepaid Expenses	2,853,593
Property and Equipment	17,356,658
Deferred Charges - Bond Issue Costs-Net	3,521,757
Total Assets	**83,339,932**
Liabilities and Net Assets	
Liabilities	
Accounts Payable and Accrued Expenses	4,607,214
Accrued Payroll	3,331,545
Accrued Compensated Absences	3,508,453
Recoupments Payable and Deferred Income	9,695,512
Mortgages Payable - DASNY	909,918
Bonds Payable - DASNY	12,485,000
Bonds Payable IDA	820,001
Lines of Credit	1,035,669
Deferred Rent	2,649,237
Self Funded Insurance Liability	2,115,227
Pension Liability	5,123,011
Postretirement Health Insurance Liability	5,312,099
Total Liabilities	51,592,886
Net Assets:	
Unrestricted:	19,364,258
Residential reserve for replacement	979,354
Property and equipment	6,120,361
Board designated - program expansion	1,125,818
Board designated - anticipated pension contributions	1,240,000
Board designated - self funded Insurance	2,917,255
Total Net Assets	31,747,046
Total Liabilities and Net Assets	**83,339,932**

LIFESPIRE, INC.
PRO FORMA STATEMENT OF ACTIVITIES
PERIOD ENDED 6/30/2016
(Unaudited)

Support and Revenue - Program Operations:	
Program Service Fees	97,913,280
Participant’s Share of Room and Board	2,921,627
Subcontract - Net	413,223
MCFAA and DASNY Bond Fees	572,308
Subtotal Support and Revenue - Program Operations	101,820,438
Expenses:	
Program Services	91,874,331
Management and Administration	6,209,096
Total Expenses	98,083,427
Change in unrestricted net assets before other revenue and prior year re	3,737,011
Other Revenue	
Investment Return	59,894
Contributions and Fund Raising	6,475
Miscellaneous	1,189,398
Total other revenue	1,255,767
Changes in unrestricted net assets before prior period revenue	4,992,778
Prior Period Revenue	26,767
Increase in unrestricted net assets	5,019,545
Net Assets, Beginning of the Period	26,727,501
Net Assets, End of the Period	**31,747,046**

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APPENDIX C-IV

OHEL CHILDREN'S HOME AND FAMILY SERVICES, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF JULY 31, 2016 AND JUNE 30, 2016)

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Ohel Children's Home and Family Services, Inc. and Affiliates
Financial Statements

July 31, 2016

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statements of Financial Positions

July 31, 2016

	UNAUDITED 7/31/2016
Assets	
Cash and cash equivalents	$ 2,536,219
Program Receivables	4,697,676
Pledges Receivable	4,766,290
Grants Receivable	3,131,184
Investments	505,568
Other Receivables	101,397
Property and equipment, net of accumulated depreciation	52,551,173
Client custodial Funds	449,031
Prepaid expenses and other assets	762,740
Debt Reserve Funds	319,377
Total assets	$ 69,820,656
Liabilities and Net Assets	
Bank lines of credit payable	$ 3,000,000
Accounts payable and accrued expenses	2,604,040
Accrued salaries and fringes	2,600,141
Mortgages and bonds payable	18,766,197
Notes Payable	6,275,000
Capital lease obligation payable	304,483
Due to governmental agencies	1,895,457
Client custodial funds	449,031
Deferred revenue	1,312,630
Compensated absences payable	1,232,720
Unfunded pension obligation	2,024,608
Total liabilities	40,464,307
Unrestricted net assets:	
Undesignated	16,364,143
Board designated	10,147,861
	26,512,004
Temporarily restricted	2,209,453
Permanently restricted	634,891
Total net assets	29,356,348
Total liabilities and net assets	$ 69,820,655

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statements of Activities and Changes in Net Assets

For the Month Ended July 31, 2016 UNAUDITED

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Program service fees	**$ 5,454,911**	**$ -**	**$ -**	**$ 5,454,911**
Contributions and operating grants	**202,916**	**-**	**-**	**202,916**
Contributions - capital campaign	**100,000**	**-**	**-**	**100,000**
Special events	**13,336**	**-**	**-**	**13,336**
Rental and other income, net	**20,502**	**-**	**-**	**20,502**
Net assets released from restrictions	**-**	**-**	**-**	**-**
Total revenue	**5,791,665**	**-**	**-**	**5,791,665**
Expenses				
Program	**5,489,876**	**-**		**5,489,876**
Fund Raising	**99,779**	**-**		**99,779**
General and administrative	**719,145**	**-**		**719,145**
Total operating expenses	**6,308,800**	**-**		**6,308,800**
Decrease in net assets	**(517,135)**	**-**	**-**	**(517,135)**
Net assets				
Beginning of year	**27,041,640**	**2,209,453**	**634,891**	**29,885,984**
End of year	**$ 26,524,505**	**$ 2,209,453**	**$ 634,891**	**$ 29,368,849**

Ohel Children's Home and Family Services, Inc. and Affiliates
Financial Statements

June 30, 2016

Ohel Children's Home and Family Services, Inc. and Affiliates

Consolidated Statements of Financial Positions
June 30, 2016 and 2015

	UNAUDITED 2016	2015
Assets		
Cash and cash equivalents	8,793,828	12,216,261
Program Receivables	5,298,590	6,502,502
Pledges Receivable	4,753,884	4,063,464
Grants Receivable	3,184,920	1,285,469
Investments	772,106	886,713
Other Receivables	31,801	62,820
Property and equipment, net of accumulated depreciation	51,365,139	47,919,165
Client custodial Funds	449,031	468,039
Prepaid expenses and other assets	505,940	621,773
Debt Reserve Funds	319,377	524,565
Total assets	75,474,615	74,550,771
Liabilities and Net Assets		
Bank lines of credit payable	9,500,000	8,500,000
Accounts payable and accrued expenses	3,733,342	2,332,860
Accrued salaries and fringes	2,410,294	2,586,008
Mortgages and bonds payable	18,846,149	17,596,750
Notes Payable	3,485,000	2,017,667
Capital lease obligation payable	326,798	469,087
Due to governmental agencies	1,890,429	5,520,916
Client custodial funds	449,031	468,039
Deferred revenue	1,720,614	1,600,256
Compensated absences payable	1,201,431	1,174,215
Unfunded pension obligation	2,024,608	1,662,320
Total liabilities	45,587,697	43,928,118
Unrestricted net assets:		
Undesignated	17,346,195	17,736,497
Board designated	10,147,861	10,147,861
Temporarily restricted	1,759,714	2,105,147
Permanently restricted	633,148	633,148
Total net assets	29,886,918	30,622,653
Total liabilities and net assets	75,474,615	74,550,771

Ohel Children's Home and Family Services, Inc. and Affiliates
Consolidating Statements of Activities and Changes in Net Assets
Year Ended June 30, 2016
UNAUDITED

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Program service fees	56,664,185	-	-	56,664,185
Contributions and operating grants	6,948,178	37,091	-	6,985,269
Contributions - capital campaign	2,163,733	-	-	2,163,733
Special events (less direct cost of $853,923)	1,079,417	-	-	1,079,417
Rental and other income, net	408,019	-	-	408,019
Net assets released from restrictions	382,524	(382,524)	-	-
Total revenue	67,646,056	(345,433)	-	67,300,623
Expenses				
Program	55,892,004	-		55,892,004
Fund Raising	1,913,485	-		1,913,485
General and administrative	9,418,567	-		9,418,567
Total operating expenses	67,224,056	-		67,224,056
Change in net assets before other items	422,000	(345,433)	-	76,567
Other items				
Pension related credits, other than net periodic costs	(812,302)	-		(812,302)
Increase (decrease) in net assets	(390,302)	(345,433)	-	(735,735)
Net assets				
Beginning of year	27,884,358	2,105,147	633,148	30,622,653
End of year	27,494,056	1,759,714	633,148	29,886,918

APPENDIX C-V

SERVICES FOR THE UNDERSERVED, INC.

AND

SUS-DEVELOPMENTAL DISABILITIES SERVICES, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF JULY 31, 2016 AND JUNE 30, 2016)

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Services for the UnderServed, Inc. and Affiliated Organizations
Financial Statements

July 31, 2016

Services for the Underserved
and Related Organizations
Combined Statements Functional Expenses
in thousands of dollars

		DRAFT One Month Ended Ended July 31, 2016
Revenue:		
Medicaid	$	5,541
Contract		7,267
Rental		
Participant fees		1,082
Contributions		679
Management fees		505
Other		492
Total Revenue	$	15,566
Expenses:		
Salaries	$	6,353
Fringe benefits		1,767
Food		209
Rent		3,408
Transportation		316
Office supplies and postage		483
Lease equipment		168
Professional and consultant fees		46
Household supplies		317
Insurance		128
Client incidentals		31
Interest expense		99
Temporary labor		833
Miscellaneous		1,212
Bad debt		-
EBDA	**$**	**15,370**
Depreciation and amortization		
Total Expenses	**$**	**15,370**
Net	**$**	**196**

Services for the Underserved
and Related Organizations
Developmental Disabilities Statements Functional Expenses
in thousands of dollars

	DRAFT One Month Ended Ended July 31, 2016	
Revenue:		
Medicaid		4,722
Contract		
Participant fees		270
Management fees		
Other		
Total Revenue	**$**	**4,992**
Expenses:		
Salaries	$	2,198
Fringe benefits		711
Food		
Rent		488
Facility tax		
Telephone		
Utilities		
Transportation		327
Office supplies and postage		
Lease equipment		
Repairs and maintenance		
Professional and consultant fees		30
Household supplies		
Furniture and equipment		
Insurance		32
Community outreach and recruitment		
Client incidentals		
Staff training		41
Temporary labor		381
Management fees		301
Real estate taxes		45
Miscellaneous		9
Broker fees		
Bad debt		
EBDA	**$**	**4,563**
Depreciation and amortization		81
Total Expenses	**$**	**4,644**
Net	**$**	**348**

Services for the Underserved
and Related Organizations
Combined Statements of Financial Position
in thousands of dollars

		DRAFT As of July 31, 2016
Assets:		
Cash and cash equivalents	$	8,122
Accounts receivable, net		42,961
Prepaid expenses and other assets		11,456
Restricted cash and investments		2,476
Due from affiliates, net		7,209
Investment in limited partnerships		1,203
Deferred bond financing costs		708
Fixed assets, net		63,953
Total Assets	**$**	**138,088**
Liabilities:		
Accounts payable and accrued expenses	$	20,346
Accrued compensation and related taxes		7,872
Due to affiliates		2,256
Advances		-
Other liabilities		1,243
Deferred revenue		18,151
Due to governmental agencies		1,812
Line of credit		13,000
Mortgages and loans payable		28,554
Bond payable		8,847
Total Liabilities	**$**	**102,081**
Net Assets:		
Unrestricted - operating	$	37,007
Unrestricted - acquisition		
Temporarily restricted		
Total Net Assets		**37,007**
Total Liabilities and Net Assets	**$**	**139,088**

Services for the Underserved
and Related Organizations
Developmental Disabilities
in thousands of dollars

		DRAFT As of July 31, 2016
Assets:		
Cash and cash equivalents	$	37
Accounts receivable, net		8,701
Prepaid expenses and other assets		99
Restricted cash and investments		
Due from affiliates, net		77
Investment in limited partnerships		
Deferred bond financing costs		504
Fixed assets, net		18,020
Total Assets	**$**	**27,438**
Liabilities:		
Accounts payable and accrued expenses	$	2,320
Accrued compensation and related taxes		2,185
Due to affiliates		8,304
Advances		56
Other liabilities		7
Deferred revenue		116
Due to governmental agencies		223
Line of credit		-
Mortgages and loans payable		138
Bond payable		8,708
Total Liabilities	**$**	**22,057**
Net Assets:		
Unrestricted - operating	$	5,729
Unrestricted - acquisition		
Temporarily restricted		
Total Net Assets		**5,729**
Total Liabilities and Net Assets	**$**	**27,786**

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Services for the UnderServed, Inc. and Affiliated Organizations
Financial Statements

June 30, 2016

Services for the Underserved
and Related Organizations
Combined Statements of Financial Position
(with comparative totals for 2015)
in thousands of dollars

	DRAFT As of June 30, 2016		Audited As of June 30, 2015	
Assets:				
Cash and cash equivalents	$	11,598	$	11,963
Accounts receivable, net		38,605		28,935
Prepaid expenses and other assets		11,201		3,051
Restricted cash and investments		4,940		6,351
Due from affiliates, net		2,369		2,441
Investment in limited partnerships		6,205		1,165
Deferred bond financing costs		289		808
Fixed assets, net		63,127		59,342
Total Assets	**$**	**138,334**	**$**	**114,056**
Liabilities:				
Accounts payable and accrued expenses	$	20,564	$	12,355
Accrued compensation and related taxes		6,437		6,315
Due to affiliates		2,744		2,517
Advances		4,564		7,686
Other liabilities		699		3,254
Deferred revenue		14,408		9,559
Due to governmental agencies		1,843		4,671
Line of credit		14,367		-
Mortgages and loans payable		23,621		19,972
Bond payable		12,136		12,856
Total Liabilities	**$**	**88,977**	**$**	**79,185**
Net Assets:				
Unrestricted - operating	$	36,658	$	24,224
Unrestricted - acquisition		-		8,500
Temporarily restricted		34		2,147
Total Net Assets		**36,692**		**34,871**
Total Liabilities and Net Assets	**$**	**125,669**	**$**	**114,056**

Services for the Underserved
and Related Organizations
Developmental Disabilities
(with comparative totals for 2015)
in thousands of dollars

	DRAFT As of June 30, 2016	Audited As of June 30, 2015
Assets:		
Cash and cash equivalents	$ 37	$ 37
Accounts receivable, net	7,263	8,586
Prepaid expenses and other assets	78	329
Restricted cash and investments	-	-
Due from affiliates, net	77	77
Investment in limited partnerships	-	-
Deferred bond financing costs	1,269	1,325
Fixed assets, net	18,020	15,854
Total Assets	**$ 26,744**	**$ 26,208**
Liabilities:		
Accounts payable and accrued expenses	$ 1,491	$ 1,538
Accrued compensation and related taxes	2,185	1,788
Due to affiliates	8,247	435
Advances	59	54
Other liabilities	137	131
Deferred revenue	38	70
Due to governmental agencies	268	6,379
Line of credit	-	-
Mortgages and loans payable	149	257
Bond payable	8,789	9,763
Total Liabilities	**$ 21,363**	**$ 20,415**
Net Assets:		
Unrestricted - operating	$ 5,381	$ 5,793
Unrestricted - acquisition		
Temporarily restricted		
Total Net Assets	**5,381**	**5,793**
Total Liabilities and Net Assets	**$ 26,744**	**$ 26,208**

Services for the Underserved
and Related Organizations
Combined Statements of Financial Position
(with comparative totals for 2015)
in thousands of dollars

	DRAFT As of June 30, 2016		Audited As of June 30, 2015	
Assets:				
Cash and cash equivalents	$	11,598	$	11,963
Accounts receivable, net		38,605		28,935
Prepaid expenses and other assets		11,201		3,051
Restricted cash and investments		4,940		6,351
Due from affiliates, net		2,369		2,441
Investment in limited partnerships		6,205		1,165
Deferred bond financing costs		289		808
Fixed assets, net		63,127		59,342
Total Assets	**$**	**138,334**	**$**	**114,056**
Liabilities:				
Accounts payable and accrued expenses	$	20,564	$	12,355
Accrued compensation and related taxes		6,437		6,315
Due to affiliates		2,744		2,517
Advances		4,564		7,686
Other liabilities		699		3,254
Deferred revenue		14,408		9,559
Due to governmental agencies		1,843		4,671
Line of credit		14,367		-
Mortgages and loans payable		23,621		19,972
Bond payable		12,136		12,856
Total Liabilities	**$**	**88,977**	**$**	**79,185**
Net Assets:				
Unrestricted - operating	$	36,658	$	24,224
Unrestricted - acquisition		-		8,500
Temporarily restricted		34		2,147
Total Net Assets		**36,692**		**34,871**
Total Liabilities and Net Assets	**$**	**125,669**	**$**	**114,056**

Services for the Underserved
and Related Organizations
Developmental Disabilities
(with comparative totals for 2015)
in thousands of dollars

	DRAFT As of June 30, 2016	Audited As of June 30, 2015
Assets:		
Cash and cash equivalents	$ 37	$ 37
Accounts receivable, net	7,263	8,586
Prepaid expenses and other assets	78	329
Restricted cash and investments	-	-
Due from affiliates, net	77	77
Investment in limited partnerships	-	-
Deferred bond financing costs	1,269	1,325
Fixed assets, net	18,020	15,854
Total Assets	**$ 26,744**	**$ 26,208**
Liabilities:		
Accounts payable and accrued expenses	$ 1,491	$ 1,538
Accrued compensation and related taxes	2,185	1,788
Due to affiliates	8,247	435
Advances	59	54
Other liabilities	137	131
Deferred revenue	38	70
Due to governmental agencies	268	6,379
Line of credit	-	-
Mortgages and loans payable	149	257
Bond payable	8,789	9,763
Total Liabilities	**$ 21,363**	**$ 20,415**
Net Assets:		
Unrestricted - operating	$ 5,381	$ 5,793
Unrestricted - acquisition		
Temporarily restricted		
Total Net Assets	**5,381**	**5,793**
Total Liabilities and Net Assets	**$ 26,744**	**$ 26,208**

Services for the Underserved
and Related Organizations
Combined Statements Functional Expenses
(with comparative totals for 2015)
in thousands of dollars

	DRAFT Year Ended June 30, 2016		Audited Year Ended June 30, 2015	
Revenue:				
Medicaid	$	60,551	$	54,861
Contract		98,328		72,913
Rental		11,977		859
Participant fees		2,968		10,716
Contributions		1,220		1,298
Management fees		4,112		728
Other		1,886		2,068
Total Revenue	$	181,042	$	143,443
Expenses:				
Salaries	$	72,814	$	59,484
Fringe benefits		19,664		15,601
Food		2,961		2,557
Rent		29,717		28,476
Facility tax		879		-
Telephone		2,393		-
Utilities		3,169		-
Transportation		3,583		2,763
Office supplies and postage		848		2,601
Lease equipment		4,608		3,325
Repairs and maintenance		3,147		-
Professional and consultant fees		5,867		5,477
Household supplies		5,347		3,644
Furniture and equipment		-		-
Insurance		2,012		1,503
Community outreach and recruitment		374		-
Client incidentals		1,822		2,858
Staff training		501		-
Interest expense		805		2,051
Temporary labor		8,975		5,510
Real estate taxes		498		-
Miscellaneous		4,965		1,166
Broker fees		-		-
Bad debt		946		317
EBDA	**$**	**175,895**	**$**	**137,333**
Depreciation and amortization		3,326		3,424
Total Expenses	**$**	**179,221**	**$**	**140,757**
Net	**$**	**1,821**	**$**	**2,686**

Services for the Underserved
and Related Organizations
Developmental Disabilities Statements Functional Expenses
(with comparative totals for 2015)
in thousands of dollars

	DRAFT Year Ended June 30, 2016		Audited Year Ended June 30, 2015	
Revenue:				
Medicaid	$	51,087	$	45,355
Contract		1,087		1,963
Participant fees		3,228		2,969
Management fees		-		-
Other		(65)		127
Total Revenue	**$**	**55,337**	**$**	**50,414**
Expenses:				
Salaries	$	25,751	$	23,257
Fringe benefits		8,613		7,165
Food		947		851
Rent		1,491		1,112
Facility tax		879		315
Telephone		802		840
Utilities		397		343
Transportation		2,591		2,006
Office supplies and postage		107		89
Lease equipment		1,012		1,356
Repairs and maintenance		769		704
Professional and consultant fees		614		611
Household supplies		732		677
Furniture and equipment				
Insurance		796		715
Community outreach and recruitment		3		
Client incidentals		116		147
Staff training		357		531
Temporary labor		3,640		3,918
Management fees		4,305		3,740
Real estate taxes		145		89
Miscellaneous		537		704
Broker fees		8		25
Bad debt		-		(100)
EBDA	**$**	**54,612**	**$**	**49,095**
Depreciation and amortization		1,137		1,154
Total Expenses	**$**	**55,749**	**$**	**50,249**
Net	**$**	**(412)**	**$**	**165**

Services for the Underserved
and Related Organizations
Combined Statements of Activities
(with comparative totals for 2015)
in thousands of dollars

	DRAFT Year Ended June 30, 2016	Audited Year Ended June 30, 2015
Revenue:		
Medicaid	$ 60,551	$ 54,861
Contract	98,328	72,913
Rental	11,977	859
Participant fees	2,968	10,716
Contributions	1,220	1,298
Management fees	4,112	728
Other	1,886	2,068
Total Revenue	$ 181,042	$ 143,443
Expenses:		
Mental Health Programs	$ 86,691	$ 76,892
Developmental Disabilities Services	55,748	50,249
AIDS Services	6,323	5,471
Urgent Housing Services	24,973	6,831
Home Care Services	-	-
Total Program Services	**$ 173,735**	**$ 139,443**
Management and general	5,486	1,314
Fund raising		
Total Support Services	**$ 5,486**	**$ 1,314**
Total Expenses	**$ 179,221**	**$ 140,757**
Excess of public support and revenue	**$ 1,821**	**$ 2,686**
Net assets beginning of year	34,871	32,185
Net assets end of year	36,692	34,871
Change in net assets	**$ 1,821**	**$ 2,686**
	$ -	$ -

APPENDIX C-VI

UNIQUE PEOPLE SERVICES, INC.

UNAUDITED FINANCIAL INFORMATION

(AS OF JULY 31, 2016 AND JUNE 30, 2016)

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Unique People Services, Inc. and Affiliates
Financial Statements

July 31, 2016

Unique People Services, Inc. and Affiliates
Consolidated Statements of Activities
for the month ended July 31, 2016

	July,2016
Operating Revenue and Support	
Government Grant Income	1,463,329
Participant fees	124,685
Other revenues	8,730
Total Operating Revenue and Support	1,596,744
Total Operating Expenses	
Program services	1,221,502
Management and administration	111,365
Total Operating Expenses	1,332,867
Change in Net Assets from operations	263,877
Prior year revenue	
Change in total Net Assets	263,877
Net Assets - Beginning of Year	5,950,814
Net Assets - End of Year	5,776,309

Unique People Services, Inc. and Affiliates
Consolidated Statements of Financial Position
As of July 31, 2016

	2016
Assets	
Cash and cash equivalents	4,867,197
Accounts receivablem, net	4,185,355
Due from related party	24,985
Prepaid expenses and other assets	836,990
Property and equipment, net	7,980,336
Total Assets	17,894,865
Liabilities	
Accounts payable and accrued expenses	822,754
Due to governmental agencies	11,295,802
Total Liabilities	12,118,556
Commitments and contingencies	
Net Assets	
Unrestricted	5,776,309
Total Net Assets	5,776,309
Total Liabilities and Net Assets	17,894,865

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Unique People Services, Inc. and Affiliates
Financial Statements

June 30, 2016

Unique People Services, Inc and Affiliates
Consolidated Statements of Financial Position
As of June 30, 2016 and 2015

	as of 6/30/16	as of 6/30/15
ASSETS		
Cash and cash equivalents	5,618,694	6,129,223
Accounts receivable, net	2,489,340	2,150,258
Accounts receivable, net	1,504,526	
Interest reserve	28,565	74,332
Prepaid expenses and other assets	672,717	556,272
Property and equipment, net	7,634,638	6,623,948
Deferred financing cost, net	9,646	13,504
Debt service reserve funds	24,700	77,189
Consumer funds	28,153	63,155
Total Assets	18,010,982	15,687,882
LIABILITIES		
Accounts payable and accrued expenses	960,844	1,199,275
Due to governmental agencies	2,042,172	1,641,131
Notes and mortgages payable	9,220,204	6,777,224
Consumer funds	225,511	320,787
Total Liabilities	12,448,732	9,938,416
NET ASSETS		
Unrestricted	5,562,250	5,703,749
Total Net Assets	5,562,250	5,703,749
Total Liabilities and Net Assets	18,010,982	15,642,165

	Comparison to Previous Year		
	Jul' 15 - Jun' 16	**Jul' 14 - Jun' 15**	
Income			
Gov't Fund	17,112,948	10,213,106	
Mortgage Income	747,704	747,704	
Program Fees	1,422,689	955,789	
Support	196,759	152,533	
Other	355,173	159,879	
Total Income	**19,835,273**	**12,229,011**	
Expense			
Administration Expenses	2,118,254	1,255,545	
Development Expenses	344,586	102,262	
Program Expenses	17,555,245	10,736,936	
Total Expense	20,018,085	12,094,743	
Net Income	**(182,812)**	**134,268**	

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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 2016B 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 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, 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 November 1, 2016, among DASNY, the Program Facilitator and the 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 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 respect to a 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, 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 an Applicable Participant relating to the construction of a Project, 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 the duly adopted fiscal year of a 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 the 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 the 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 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 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 2016B 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 the Authority 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 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 a Participant 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 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 Participant's 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 a 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 respect to a Participant, all operating and nonoperating expenses of such Participant other than PPA Expenses.

Non-PPA Facility means with respect 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 respect 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 respect to a Participant, all operating and nonoperating revenues of such Participant other than PPA Revenues.

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) 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) 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) 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 or OMH, 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 such, 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 the Public Funds attributable to the Applicable Project or the Project Property.

PPA Expenses means with respect 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 respect 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 respect 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 respect to the Bonds of the Applicable Series and any Applicable Loan made under a Loan Agreement, 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.

Prior Property Approval or **PPA** means the pre-approval by OPWDD of a Project Property 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, 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 2016B Facility** means the administrative, educational day program, residential and other attendant and related facilities owned or leased by the 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, as more particularly described in the Applicable Loan Agreement; in the event that such Applicable Loan Agreement describes two or more distinct and separate properties as a separate Project, (i) "a Project Property" shall mean any one Project Property individually, as described in such Applicable Loan Agreement; and (ii) "the Project Property" shall mean, collectively, each Project Property described in such Applicable Loan Agreement.

Public Funds means 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 this 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 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 2016B Resolution means DASNY's Series 2016B Resolution Authorizing Up to $38,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2016B, adopted by DASNY on October 5, 2016, 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 respect to a Participant, the ratio for the applicable Fiscal Year of Total Net Revenues Available for Debt Service to Total Maximum Annual Debt Service.

Total Maximum Annual Debt Service means with respect 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 Indebtedness secured solely by a security interest in its Accounts Receivable in accordance with such Participant's rate covenant set forth in the Applicable Loan Agreement 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 respect 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, 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 2016 LOAN AGREEMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2016 LOAN AGREEMENTS

The following is a brief summary of certain provisions of one Series 2016 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 Participant's 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 Participant shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of the Participant 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 Participant to evidence such termination and the discharge of the Participant's duties under the Loan Agreement, including the release or surrender of any security interests granted by the Participant to DASNY pursuant to the Loan Agreement.

(Section 48)

Construction of the Project

The Participant agrees that, if the Project 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 the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of the Project, substantially in accordance with the Contract Documents related to such Project. 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 the 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; 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 Participant, 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 which DASNY is authorized to undertake.

Except for Permitted Encumbrances, the 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 Participant 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 2016B-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 Participant 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 Participant may remove equipment, furniture or fixtures in the Project or which comprise a part of the Project provided that the Participant substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

The 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 2016B-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, the 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, the 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 Participant, 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 Participant 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 2016B-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 Participant shall have paid in full the Bonds allocable to a Project Property according to the applicable amortization schedule attached to the Loan Agreement, the 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 Participant, 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 Participant 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 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 Participant agrees 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 Participant, 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 Participant; 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 Participant's 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, the Participant unconditionally agrees to pay, 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 Participant's Allocable Portion of the Costs of Issuance of such Bonds, and the Participant's Allocable Portion of the other costs in connection with the issuance of such Bonds;

(c) The Participant 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 Participant's 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 Participant's Allocable Portion of the Bonds Outstanding, no further Loan Repayments need be made by the Participant;

(d) The fees of the Program Facilitator to be paid by the Participant 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 Participant's 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 Participant's 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 Participant's 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, 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 Participant 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 Participant's 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 Participant 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 Participant's 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 Participant's 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 Participant shall receive a credit against the amount required to be paid by the Participant 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, the 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 Participant, and the Participant agrees, to make 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 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 Participant 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 Participant 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 Participant 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 Participant’s 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 Participant of a payment in satisfaction of the Participant’s indebtedness to DASNY with respect to the Participant’s 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 Participant by the Trustee as provided for in the Resolution.

The obligations of the 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 Participant to complete the Project or the completion thereof with defects, failure of the Participant to occupy or use the Project, 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, the Participant may institute such action as it may deem necessary to compel performance or recover damages for nonperformance. Notwithstanding the foregoing, DASNY shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse the 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 Participant to make payments thereunder are general obligations of the Participant.

DASNY, for the convenience of the Participant, shall furnish to the Participant 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 Participant any payment required pursuant to the provisions of the Loan Agreement as described under this heading which has not been made by the Participant when due; provided, that notice of such payment is immediately made to the Participant. 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 Participant's 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 Participant to make such payment.

The Participant, 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 Participant 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 Participant's Allocable Portion of the Bonds Outstanding, or to pay or provide for the payment of the Participant's Allocable Portion of the Bonds Outstanding in accordance with defeasance provisions of the Resolution, DASNY agrees, in accordance with the instructions of the Participant, to direct the Trustee in writing to purchase or redeem the Participant's Allocable Portion of the Bonds Outstanding, or to cause the Participant's 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 Participant's Allocable Portion of the Bonds Outstanding caused by voluntary payments by the Participant, early redemptions, legal defeasances or otherwise. At the time of any such amendment, the Participant's 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 Participant's Allocable Portion of the Bonds Outstanding.

(Section 9)

Debt Service Reserve Fund

The Participant agrees that it will at all times maintain on deposit in the Debt Service Reserve Fund an amount at least equal to the Participant's Allocable Portion of the Debt Service Reserve Fund Requirement as set forth in the Loan Agreement, provided that the Participant 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.

The Participant may deliver to the Trustee a Reserve Fund Facility for all or any part of the Participant's 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 Participant is required to restore the Participant's Allocable Portion of the Debt Service Reserve Fund Requirement, it 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 Participant or Participant's Allocable Portion of the Reserve Fund Facility to be restored to the amount of the Participant's 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 Participant's 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 Participant 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 Participant's 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 Participant authorizes 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 Participant appoints the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

The Participant agrees that upon each delivery 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 Participant will, at its cost and expense, provide to DASNY and the Trustee a written opinion of counsel satisfactory to DASNY to the effect that the 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 the 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 Participant pursuant to the Loan Agreement, the 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.

The 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. The 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.[1]

(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, the 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 Participant's 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 Participant 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 the 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, the 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

[1] DASNY has agreed in the Unique People Services, Inc. Series 2016 Loan Agreement to allow Unique People Services, Inc. to secure a working capital lien on receivables, including Public Funds, prior to the lien on Pledged Revenues created by the Unique People Services, Inc. Series 2016 Loan Agreement.

Applicable Debt Service Account of the Debt Service Fund in the amount which the Participant is required to pay to the Trustee pursuant to the Loan Agreement regarding Loan Repayments, the 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 Participant under the Loan Agreement as described in the last two paragraphs under this heading.

Any Pledged Revenues collected by the 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 Participant as required by the Loan Agreement or the Series Resolution.

The 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, the Participant has assigned and pledged to DASNY the Pledged Revenues subject to the Prior Pledges. In addition to an Intercept Agreement, the 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. The 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 Participant 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 Participant.

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 Participant 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 Participant under the Loan Agreement.

(Section 12)

Mortgage; Lien on Fixtures and Equipment

With respect to each Project Property which is owned by the Participant, at or before the delivery by DASNY of the Bonds, the 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 the 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 the Participant, the 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 the 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, the Participant may remove fixtures or equipment from the Mortgaged Property provided that the 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

The Participant warrants and represents to DASNY that (i) it has good and marketable title to the Project and all Project Property, 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 the Project and all Project Property, for proper operation and utilization of such Project and such Project Property and for utilities required to serve such Project and such Project Property, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Participant of each such Project.

The Participant covenants that title to the Project and all Project Property shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances.

The Participant warrants, represents and covenants that (i) the Project and all Project Property 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 Project Property shall have its own separate and independent means of access, apart from any other property owned by the Participant or others. Such access, however, may be through common roads or walks owned by the Participant used also for other parcels owned by the Participant.

(Section 14)

Consent to Pledge and Assignment by DASNY

The 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 Participant 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. The 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 Participant's obligations to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Participant 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 Participant thereunder.

The 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 pursuant to the Loan Agreement in the manner and to the extent provided therein and in the Resolution. The 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 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. The 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. The 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 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. The Participant further covenants, warrants and represents that the 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 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

The 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. The 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 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 2016B-1 Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 16)

Use of the Project; Restrictions on Religious Use

The Participant agrees that, unless in the opinion of Bond Counsel the Project 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 the Project shall be occupied or used primarily by the Participant or members of the staff of the Participant or residents of the Project, as applicable, for activities related to the tax-exempt purposes of the Participant, or, on a temporary basis, persons connected with activities incidental to the operations of the 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 Participant 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 the Project and all Project Property.

The Participant agrees that with respect to the Project or any portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such Project 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 or a portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project and each portion thereof. DASNY and its agents may conduct such inspections as DASNY deems necessary to determine whether the Project or any portion of real property thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. The Participant further agrees that prior to any disposition of any portion of the Project 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 to the restriction that (i) so long as such portion of such Project (and, if included in such Project, the real property on or in which such portion of such Project is situated) shall exist and the Bonds allocable to such Project remain Outstanding and (ii) until such portion of such Project 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 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, or, if included in such Project, 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 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

The 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. The 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 the 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 Participant and DASNY agree in writing that the Project, the Project Property or the affected portion thereof shall be repaired, replaced or restored, the Participant 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 Participant 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 Participant; or

(b) if no agreement for the repair, restoration or replacement of the Project, the Project Property or the affected portion thereof shall be reached by DASNY and the Participant 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

The 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 Participant shall file or cause to be filed exemption certificates as required by Governmental Requirements. The Participant agrees 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 complete compliance with the requirements of the Loan Agreement if the Participant deposits with DASNY the full amount of such contested impositions. Notwithstanding the foregoing, DASNY, in its sole discretion, after notice in writing to the Participant, may pay (such payment shall be made under protest if so requested by the 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 Participant's 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 the Participant to fulfill the terms of the covenants or perform any of its obligations under the Loan Agreement, under the Series Resolution, and the Participant agrees 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

The Participant shall, if and when requested by DASNY, render 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, the Participant shall, if and when requested by DASNY, render such other reports concerning the condition of the Project or the Project Property as DASNY may request. The 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. 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, the 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.

The 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.

The Participant may not 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 Receivables, be secured by no more than ninety percent (90%) of the Participant's Accounts Receivables.

(Section 26)

Defaults and Remedies

As used in the Loan Agreement, the term "Event of Default" shall mean:

(a) the Participant 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) the 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 Participant by DASNY or the Trustee;

(c) as a result of any default in payment or performance required of the Participant 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) the 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 in accordance with a valid operating certificate duly issued by OPWDD or OMH, as applicable, and the Participant, subsequent to 15 days after written notice shall have been given to the Participant by OPWDD, OMH or DASNY requiring the same to be remedied, fails to remedy such violation or such failure to operate such certified program;

(e) the 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 Participant, a custodian, receiver, trustee or other officer with similar powers with respect to it 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 the Participant, or any petition for any such relief shall be filed against the Participant and such petition shall not be dismissed within ninety (90) days;

(g) the charter or certificate of incorporation of the Participant shall be suspended or revoked;

(h) a petition to dissolve the Participant shall be filed by the Participant with the legislature of the State or other governmental authority having jurisdiction over the Participant;

(i) an order of dissolution of the Participant shall be made by the legislature of the State or other governmental authority having jurisdiction over the 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 the 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 the 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 the Participant and at any time after forty-five (45) days from the entry thereof, (i) such judgment shall not have been discharged or (ii) the 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; or

(m) the 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 the Participant's obligations thereunder.

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 Participant 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 the 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 the Participant under the Loan Agreement to recover any sums payable by the Participant 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 Participant's 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 Participant's Allocable Portion of the Bonds, or any other obligation or liability of the Participant 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 or the property of the Participant and examine and make copies of the financial books and records of the 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 the Participant representing Pledged Revenues or proceeds thereof; (ii) [Reserved]; (iii) [Reserved]; (iv) require the Participant 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 Participant under the Loan Agreement including the fees and expenses of DASNY; and provided further that DASNY in its sole discretion may authorize the 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 Participant when all Events of Default under the Loan Agreement by the Participant have been cured; (v) forbid the Participant 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 the 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 and complete the construction of such Project in accordance with the plans and specifications with such changes therein as DASNY may deem appropriate and employ watchmen to protect such Project, all at the risk, cost and expense of the Participant, consent to such entry being given by the Participant; (ii) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by the 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 the Participant in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Participant, whether or not previously incorporated into the construction of the Project; and (iv) in connection with the construction of the Project 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, (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, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of DASNY applicable to the construction of the Project, and (z) take or refrain from taking such action under the Loan Agreement as DASNY may from time to time determine. The Participant shall be liable to DASNY for all sums paid or incurred for construction of the Project 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 Participant to DASNY upon demand. The 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, or OMH, as applicable, in accordance with applicable statutes and regulations, to enter the Project, or replace the Participant with another operator, to take possession without judicial action of all real property contained in such Project and all personal property located in or on or used in connection with the Project, including furnishings and equipment thereon, and further including Pledged Revenues and cause to be operated thereon a certified program for the developmentally disabled within the Project Property in accordance with a valid operating certificate duly issued by OPWDD or OMH, as applicable;

(i) require the 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 the Participant, or in the event that OPWDD or OMH, as applicable, shall have revoked the Participant's license to operate as a qualified operator, the 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 or OMH qualified service provider, as applicable, in order to permit such service provider to assume the Participant's liabilities and obligations to provide benefits to such clients and patients. In furtherance of such purposes the Participant agrees to cooperate with all State regulatory agencies and acknowledges 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

The 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 2016B-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 2016B-1 Bonds at the time of such action, investment or use. The Participant (or any related person, as defined for purposes of Section 148 of the Code) shall not, pursuant to an arrangement, formal or informal, purchase SubSeries 2016B-1 Bonds in an amount related to the amount of any obligation to be acquired from the Participant by DASNY, unless DASNY and the Trustee shall receive an opinion of Bond Counsel to the effect that the purchase by the Participant or by a related person of SubSeries 2016B-1 Bonds will not cause interest on the SubSeries 2016B-1 Bonds to be included in the gross income of the owners of such SubSeries 2016B-1 Bonds for purposes of federal income taxation. The 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 Participant shall be required to pay for any consultant or report necessary to satisfy any such arbitrage and rebate requirement. The Participant covenants that it will not take any action or fail to take any action which would cause any representation or warranty of the Participant contained in the tax certificate then to be untrue and 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 2016B-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 Participant. In the event that the Participant is notified in writing that the SubSeries 2016B-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 DASNY. Upon the occurrence of such an event, the Participant 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 2016B 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 2016B Resolution establishes a Debt Service Reserve Fund to be held and maintained by the Trustee with respect to the Series 2016B 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 2016B 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 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 2016B Bonds or Permitted Investments in an amount sufficient to satisfy each Applicable Series 2016B Participant's Allocable Portion of the Debt Service Reserve Fund Requirement as set forth in the Applicable Bond Series Certificate. An Applicable Series 2016B 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 2016B Bonds for all or any part of the Debt Service Reserve Fund Requirement or any Applicable Series 2016B 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 2016B are not rated by Moody's and S&P by whichever of said rating services that then rates the Outstanding Series 2016B 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 2016B Participant's Allocable Portion of a Debt Service Reserve Fund is less than such Applicable Series 2016B 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 2016B Participant of such deficiency. Such Applicable Series 2016B 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 2016B 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 2016B Participant's Allocable Portion of, respectively, interest on the Outstanding Series 2016B 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 2016B 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 2016B Bonds upon the acceleration of such Series 2016B Participant's Loan pursuant to the Applicable Loan Agreement.

Upon the exercise by a Series 2016B 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 2016B 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 2016B 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 2016B 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 2016B 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 2016B 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 2016B 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 9.01)

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 9.02)

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 2016B

PARTICIPANT: [Participant]

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the "Disclosure Agreement"), dated as of [ ], 2016, is executed and delivered by the Dormitory Authority of the State of New York (the "Issuer" or "DASNY"), 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) 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 Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer, the Obligated Person or anyone on the Issuer's or 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), 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 Issuer pursuant to Section 9 hereof.

"Disclosure Dissemination Agreement" means that agreement, dated January 31, 2005, as amended to the date hereof, by and between the Disclosure Dissemination Agent and the Issuer pursuant to which disclosure dissemination services are to be provided by the Disclosure Dissemination Agent on behalf of the Issuer.

"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.

"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 Securities Exchange Act of 1934.

"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.

"Trustee" means The Bank of New York Mellon.

"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. Provision of Annual Reports.

(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 each for the Issuer and 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 [ ], 2016, 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 an Annual Report and Audited Financial Statements 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 Issuer and 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 Disclosure Representative 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 and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer and 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 Dissmenation 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 irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B which shall include, if known, 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 each for the Issuer and 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 the 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 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; and

15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;

(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 Issuer or 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 Issuer or 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, the Issuer 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 Issuer, 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 Agreement and that is accompanied by a Certification and all other information required by the terms of this 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 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 the Securities and Exchange Commission or 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 reflecting additions or deletions to the Funding Sources or a decrease in Debt Service Coverage shall include an explanation, in narrative form, of such changes.

SECTION 4. <u>Reporting of Notice Events</u>.

(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 securities or other material events affecting the tax status of the securities;

7. Modification 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; and

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify DASNY, 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, DASNY or the Trustee shall promptly notify the Obligated Person and also may 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 Issuer, 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 Issuer, 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 Issuer or 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 Issuer or the Obligated Person desires to make, contain the written authorization of the Issuer or the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or 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 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. CUSIP Numbers.

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 Reports, 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. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, 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. Voluntary Filing.

(a) The Issuer or 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 Issuer or Obligated Person desires to make, and identify the date the Issuer or Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or 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 Issuer or 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 text of the disclosure that the Issuer or Obligated Person desires to make, and identify the date the Issuer or Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or 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 neither the Issuer nor the Obligated Person is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof. In the event that the Issuer intends to instruct the Disclosure Dissemination Agent to file a notice pursuant to Section 7 hereof, the Issuer will provide a copy of any such notice first to the Obligated Person and shall only instruct the Dissemination Agent to file such notice if the Obligated Person does not object to such filing within 2 business days of receipt of such proposed notice. In the event that the Obligated Person Issuer intends to instruct the Disclosure Dissemination Agent to file a notice pursuant to Section 7(a) hereof, the Obligated Person will provide a copy of any such notice first to the Issuer and shall only instruct the Dissemination Agent to file such notice if the Issuer does not object to such filing within 2 business days of receipt of such proposed notice.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person, with the approval of DASNY, 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, Audited Financial Statements, 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, Audited Financial Statements, 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, Audited Financial Statement, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. <u>Termination of Reporting Obligation</u>.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this 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 Issuer has appointed DAC as exclusive Disclosure Dissemination Agent under this Agreement pursuant to the Disclosure Dissemination Agreement. The Issuer 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 Issuer or DAC, the Issuer 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 Issuer 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 Issuer.

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 Agreement, the Holders' rights to enforce the provisions of this 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 Issuer or 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 Issuer or the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Issuer, 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 Issuer or the Obligated Person has complied with this Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer or the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, THE ISSUER 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 LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment 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 neither of them shall 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. No Issuer Responsibility.

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 those notices required under Section 4(b) 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 those notices required under said Section 4(b). 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 oligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent may amend this Agreement and any provision of this 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 Issuer, 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 Issuer, 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, DASNY, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to adopt amendments to 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, the Trustee or the Issuer and the assumption by any such successor of the covenants of the Obligated Person, the Trustee or the Issuer hereunder;

(iv) to add to the covenants of the Obligated Person, the Issuer or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person, the Issuer or the Disclosure Dissemination Agent;

(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 Issuer, 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 conflicts of laws).

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.

The Disclosure Dissemination Agent, the Issuer, the Trustee and the Obligated Person have caused this 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:______________________________________

DORMITORY AUTHORITY OF THE STATE OF NEW YORK,
Issuer

By:____
Authorized Officer

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 2016B
Date of Issuance:	[ ], 2016
Date of Official Statement:	[ ], 2016

Maturity	CUSIP No.

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 2016B
Date of Issuance:	[ ], 2016

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 [ ], 2016, by and among the Obligated Person, the Dormitory Authority of the State of New York, as Issuer, 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: Issuer
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:

____

Issuer's 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."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer 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 Continuing Disclosure Agreement dated as of [   ] by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Issuer's 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 issuer 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 Continuing Disclosure Agreement dated as of [ ] by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Issuer's 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 issuer 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 2016B
Date of Issuance:	[ ], 2016
Date of Official Statement:	[ ], 2016
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

FORMS OF APPROVING OPINIONS OF CO-BOND COUNSEL

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PROPOSED FORMS OF APPROVING OPINIONS OF CO-BOND COUNSEL

Upon delivery of the Series 2016B Bonds, Barclay Damon, LLP, Albany, New York, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

[___________], 2016

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 $29,425,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2016B (the "Series 2016B Bonds"), consisting of $28,645,000 Subseries 2016B-1 Bonds and $780,000 Subseries 2016B-2 Bonds (Federally Taxable) 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 2016B 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 (the "Resolution") and DASNY's Series 2016B Resolution Authorizing Up To $38,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2016B adopted October 5, 2016 (the "Series 2016B Resolution" and, together with the Resolution, the "Resolutions"). The Series 2016B Bonds are being issued for the purposes set forth in the Resolutions.

DASNY has entered into separate Loan Agreements with each of Developmental Disabilities Institute, Inc., Eden II School for Autistic Children, Inc., Lifespire, Inc. and ACRMD Community Mental Retardation Services Company, Inc.,[1] Ohel Children's Home and Family Services, Inc., Services for the Underserved, Inc. and SUS-Developmental Disabilities Services, Inc., and Unique People Services, Inc. (collectively, the "Series 2016B Participants"), each dated as of October 5, 2016 (collectively, the "Loan Agreements"), providing, among other things, for loans to the Series 2016B Participants from the proceeds of the Series 2016B Bonds for the purposes permitted by the respective Loan Agreements and by the Resolutions.

[1] ACRMD's liability is limited to the Allocable Portion of the Series 2016 Bonds which is attributable to the Series 2016 Facility located at 2435 Harway Avenue, Brooklyn, New York.

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 2016B Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by DASNY. The Series 2016B 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 2016B 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 2016B 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 2016B 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 2016B Bonds are not a debt of the State of New York, and the State of New York is not liable thereon. The Series 2016B Bonds are not payable out of the funds of DASNY other than those pledged for the payment of the Series 2016B 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 2016B Participants, constitute legal, valid and binding obligations of DASNY enforceable in accordance with their terms.

(6) Under existing law:

(a) interest on the Subseries 2016B-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code");

(b) interest on the Subseries 2016B-1 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code; provided, however, that such interest on the Subseries 2016B-1 Bonds is taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations;

(c) interest on the Series 2016B Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers; and

(d) interest on the Subseries 2016B-2 Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Code.

In rendering the opinions set forth in clauses (a) and (b) of paragraph (6) above, we have relied upon certain representations, certifications of fact, and statements of reasonable expectations made by DASNY, each of the Series 2016B Participants, as applicable, and others, and we have assumed compliance by DASNY and each of the Series 2016B Participants, as applicable, with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Subseries 2016B-1 Bonds from gross income under Section 103 of the Code. In the event of the inaccuracy or incompleteness of any such representation, certification or statement made by DASNY or the Series 2016B Participants, or of the failure by DASNY or the Series 2016B Participants to comply with any such covenant, the interest on the Subseries 2016B-1 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of original execution and delivery of such 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 2016B Participants regarding, among other matters, the status of the Series 2016B Participants as organizations described in Section 501(c)(3) of the Code.

Further, although the interest on the Subseries 2016B-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 2016B-1 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Subseries 2016B-1 Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

We have examined a fully executed Subseries 2016B-1 Bond and a fully executed Subseries 2016B-2 Bond and, in our opinion, the form of said Series 2016B 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 2016B 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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Upon delivery of the Series 2016B Bonds, Marous Law Group, P.C., New York, New York, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

[__________], 2016

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

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We have examined the record of proceedings relating to the $29,425,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2016B (the "Series 2016B Bonds"), consisting of $28,645,000 Subseries 2016B-1 Bonds and $780,000 Subseries 2016B-2 Bonds (Federally Taxable) 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).

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Very truly yours,

DORMITORY AUTHORITY OF THE STATE OF NEW YORK • INTERAGENCY COUNCIL POOLED LOAN PROGRAM REVENUE BONDS, SERIES 2016B

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